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VOL. 1

U.S. Department of Agriculture

1989 BUDGET EXPLANATORY NOTES FOR COMMITTEE ON APPROPRIATIONS

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Office of the Secretary
Departmental Administration
Office of Governmental & Public Affairs
Office of the Inspector General
Office of the General Counsel

Agricultural Research Service
Cooperative State Research Service
Extension Service
National Agricultural Library

Soil Conservation Service

Rural Electrification Administration
Federal Crop Insurance Corporation
Farmers Home Administration

PREFACE

Project Statements

The obligations shown in the Project Statements are based on the appropriations and activities proposed in the 1989 budget estimates. In some Project Statements the activities are further divided into subcategories, reflecting a more detailed description of the work conducted under the appropriation items.

In those accounts where prior year balances are also available for obligation during the year, such amounts are shown in a separate Project Statement.

The amounts shown in Project Statements for the past year are taken directly from the accounting records to the maximum extent possible. Where the Department has adjusted obligations after Treasury has closed the books for the year, we have shown our most current estimate. These adjustments will be picked up by Treasury in subsequent reports.

Statement of Available Funds and Staff-Years

A statement is included for each agency, immediately following the introductory purpose statement, to reflect all sources of funds available to the agency and to show the staff-years related to each source of funds.

These statements reflect the best available information at the time these Explanatory Notes were prepared (February 1988). However, it is not possible in many instances to determine in advance the extent to which agencies may be requested to perform additional services for other Federal and non-Federal agencies or organizations. Therefore, amounts of actual reimbursements and other funds received from sources other than appropriations directly to the agency may vary from those shown in the statements.

In those cases where the funds are not appropriated (reimbursements, trust funds, transfers, revolving funds, etc.), the dollar amounts shown represent actual or estimated obligations for the year.

In some instances there may be duplication of amounts shown. This results largely from cases involving reimbursements between different agencies within the Department and where amounts are paid from appropriations to the Working Capital Fund. There is no duplication of the staff-years shown.

Classification by Objects

A statement is included for each agency showing total obligations by Object Classification for the agency. Obligations for personnel compensation are also broken between headquarters and field.

Loan Levels

Knowledge of the following basic budget terminology will assist the reader in understanding the budget proposals.

"Direct" loans involve the Federal government disbursing the money to the borrower and receiving the money back from the borrower in regular installments in future years. The Federal agency having responsibility for administering the credit program must counsel prospective borrowers on eligibility criteria and application procedures, evaluate applicant's eligibility and ability to repay, perform the administrative procedures to process the application, make and record the loan payment, receive and record the receipts for repayment, calculate the interest and remaining balance status, monitor the regularity of payments, follow up on delinquent status, and, where necessary, institute legal action to eliminate or minimize the loss to the Federal government in the event of the borrower's default on the loan.

For international trade "Credit Sales", the same basic process is involved except that the disbursement of the cash loan is replaced by the disbursement of cash to purchase and ship the commodities being exported to the foreign country involved.

Loan "Guarantees" involves the Federal government actually guaranteeing a private lending institution that a stipulated portion (commonly 90 percent) of a borrower's loan will be repaid. The Federal government does not disburse or receive funds involved in the loan and repayment between the lending institution and the borrower. If the borrower defaults on the loan, the Federal government would have to disburse to the lending institution the portion of the borrower's unpaid balance representing the amount of the Federal guarantee. The Federal agency having responsibility for administering the credit program must counsel prospective borrowers on eligibility criteria and application procedures, evaluate applicant's eligibility and ability to pay, counsel and assist the borrower in arranging the loan with the lending institution, perform administrative procedures necessary to record the loan guarantee transaction, maintain liaison with the lending institutions to keep informed of the status of loan repayments, follow up on seriously delinquent status, and, where necessary, institute legal action to eliminate or minimize the loss of the Federal government in the event of the borrower's default on the loan. The Rural Electrification Administration (REA), however, guarantees loans made by the Federal Financing Bank. Because REA is guaranteeing loans made by another Federal agency, the transaction more closely resembles an insured loan.

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OFFICE OF THE SECRETARY

Purpose Statement

The Secretary of Agriculture, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This includes developing policy, maintaining relationships with agricultural organizations and others in the development of farm programs, and maintaining liaison with the Executive Office of the President and members of Congress on all matters pertaining to agriculture policy.

The Board of Contract Appeals is a reimbursable activity in the Office of the Secretary. It is the authorized representative of the Secretary of Agriculture to make final administrative determinations for the Department of Agriculture in appeals handled under the Secretary's regulations.

The general authority of the Secretary to supervise and control the work of the Department is contained in the Organic Act (7 U.S.C. 2201-2202). The delegation of regulatory functions to the Department employees and authorization of appropriations to carry out these functions is contained in 7 U.S.C. 450c-450g.

The Secretary's Office and the staffs financed from this appropriation are all located in Washington, D.C. As of September 30, 1987, there were 69 permanent full-time and 4 other than full-time permanent employees.

OFFICE OF THE SECRETARY

Available Funds and Staff-Years1987 Actual and Estimated 1988 and 1989

Item	1987 Actual	Staff: Years	1988 Estimated	Staff: Years	1989 Estimated	Staff: Years
Direct Appropriation...	\$15,266,000	65	\$5,710,000	69	\$5,998,000	78
Obligations Under Other:						
USDA Appropriations:						
Board of Contract						
Appeals.....	625,000	8	697,000	9	849,000	10
Forest Service.....	71,749	1	76,000	1	80,000	1
Consumer Advisor.....	101,314	1	--	--	--	--
Agricultural Stabili-						
zation and Conserva-						
tion Service.....	82,760	--	83,000	--	--	--
Food and Nutrition						
Service.....	79,879	1	--	--	--	--
Miscellaneous						
Reimbursements.....	8,000	--	--	--	--	--
Total Other USDA						
Appropriations.....	968,702	11	856,000	10	929,000	11
Total, Agriculture						
Appropriations.....	\$16,234,702	76	\$6,566,000	79	6,927,000	89

Full-time Equivalent Staff-Years:	1987 Actual	1988 Estimated	1989 Estimated
Ceiling	75	75	85
Non-Ceiling	1	4	4
Total	76	79	89

OFFICE OF THE SECRETARY

Permanent Positions by Grade and Staff-Year Summary
1987 and Estimated 1988 and 1989

Grade	1987	1988	1989
Headquarters	Headquarters	Headquarters	Headquarters
Executive Level I	1	1	1
Executive Level II	1	1	1
Executive Level III	2	2	2
Executive Level IV	7	7	7
ES-6	2	2	2
ES-5	2	2	4
ES-4	4	4	2
ES-3	3	3	3
ES-2	3	3	2
ES-1	2	2	3
GS/GM-18	1	1	1
GS/GM-17	--	--	--
GS/GM-16	4	4	4
GS/GM-15	9	10	10
GS/GM-14	2	2	4
GS-13	2	2	3
GS-12	4	5	6
GS-11	4	6	7
GS-10	2	2	2
GS-9	6	7	10
GS-8	2	3	5
GS-7	2	3	3
GS-6	2	1	1
GS-5	--	--	--
GS-4	--	--	--
GS-3	1	--	--
Ungraded Positions	1	2	2
Total Permanent Positions	69	75	85
Staff-Years:			
Ceiling	72	75	85
Non-ceiling	1	4	4
TOTAL	73	79	89

OFFICE OF THE SECRETARY

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters	\$3,034,948	\$3,892,000	\$4,050,000
11 Total Personnel Compensation	3,034,948	3,892,000	4,050,000
12 Personnel Benefits	394,018	624,000	578,000
Total Pers. Comp. & Benefits ..	<u>3,428,966</u>	<u>4,516,000</u>	<u>4,628,000</u>
Other Objects:			
21 Travel	147,294	70,000	137,000
22 Transportation of things ..	15,000	1,000	1,000
23.3 Communications, utilities and other rent	469,712	521,000	563,000
24 Printing and reproduction .	200,615	147,000	143,000
25 Other services	658,925	329,000	355,000
26 Supplies and materials	75,880	108,000	120,000
31 Equipment	14,366	18,000	51,000
Total Other Objects	<u>1,581,792</u>	<u>1,194,000</u>	<u>1,370,000</u>
Total Direct Obligations	<u>5,010,758</u>	<u>5,710,000</u>	<u>5,998,000</u>

Position Data:

Average Salary, ES positions ...	\$72,054	\$72,618	\$76,831
Average Salary, GM/GS positions.	\$39,416	\$39,243	\$40,152
Average Grade, GM/GS positions..	11.53	11.56	11.67

OFFICE OF THE SECRETARY

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Secretary

For necessary expenses of the Office of the Secretary of Agriculture, [including the direct supervision of the Soil Conservation Service and the Forest Service,] and not to exceed [\$50,000] \$75,000 for employment under 5 U.S.C. 3109, [\$1,466,000], \$5,998,000. Provided, That not to exceed [\$8,000] \$11,000 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Secretary.

[Investigation of Large Payments]

[To enable the Secretary of Agriculture to investigate large payments made under the provisions of the Food Security Act of 1985, and other laws, as to accuracy and legality and to submit a detailed report on such payments to the appropriate committees of the Congress, \$100,000.]

[Office of the Deputy Secretary]

[For necessary expenses of the Office of the Deputy Secretary of Agriculture, including not to exceed \$25,000 for employment under 5 U.S.C. 3109 \$321,000: Provided, That not to exceed \$3,000 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Deputy Secretary.]

[Office of the Assistant Secretary for Special Services]

[For necessary salaries and expenses to continue the Office of the Assistant Secretary for purposes of providing special services to the Department, \$416,000: Provided, That none of those funds shall be available for the supervision of Natural Resources and Environment activities, the Soil Conservation Service, or the Forest Service.]

[Office of the Assistant Secretary for Administration]

[For necessary expenses of the Office of the Assistant Secretary for Administration to carry out the programs funded in this Act, \$498,000.]

[Office of the Assistant Secretary for Governmental and Public Affairs]

[For necessary expenses of the Office of the Assistant Secretary for Governmental and Public Affairs to carry out the programs funded in this Act, \$347,000.]

[Office of the Assistant Secretary for Economics]

[For necessary expenses of the Office of the Assistant Secretary for Economics to carry out the programs funded in this Act, \$484,000.]

[Office of the Assistant Secretary for Science and Education]

[For necessary salaries and expenses of the Office of the Assistant Secretary for Science and Education to administer the laws enacted by the Congress for the Agricultural Research Service, Cooperative State Research Service, Extension Service, and National Agricultural Library, \$386,000.]

[Office of the Assistant Secretary for Marketing and Inspection Services]

[For necessary salaries and expenses of the Office of the Assistant Secretary for Marketing and Inspection Services to administer programs under the laws enacted by the Congress for the Animal and Plant Health Inspection Service, Food Safety and Inspection Service, Federal Grain Inspection Service, Agricultural Cooperative Service, Agricultural Marketing Service (including Office of Transportation) and Packers and Stockyards Administration, \$363,000.]

[Office of the Under Secretary for International Affairs and Commodity Programs]

[For necessary salaries and expenses for the Office of the Under Secretary for International Affairs and Commodity Programs to administer the laws enacted by the Congress for the Agricultural Stabilization and Conservation Service, Office of International Cooperation and Development, Foreign Agricultural Service, and the Commodity Credit Corporation, \$524,000.]

[Office of the Under Secretary for Small Community and Rural Development]

[For necessary salaries and expenses for the Office of the Under Secretary for Small Community and Rural Development to administer programs under the laws enacted by the Congress for the Farmers Home Administration, Rural Electrification Administration, Federal Crop Insurance Corporation, and rural development activities of the Department of Agriculture, \$440,000.]

[Office of the Assistant Secretary for Food and Consumer Services]

[For necessary salaries and expenses of the Office of the Assistant Secretary for Food and Consumer Services to administer the laws enacted by the Congress for the Food and Nutrition Service and the Human Nutrition Information Service, \$365,000.]

This change merges amounts appropriated to Under and Assistant Secretaries with amounts appropriated to the Secretary of Agriculture for the operation of the offices within the Office of the Secretary to reestablish a single appropriation for that Office. The Fiscal Year 1988 Appropriations Act established separate appropriation accounts for the Immediate Office of the Secretary, the Office of the Deputy Secretary and each Under and Assistant Secretary.

This arrangement unduly restricts the discretion of an executive, such as the Secretary, to organize the resources to carry out the Department's programs in the most cost effective manner. Changes in workload and personnel could make funding shifts advisable in the future.

The fiscal year 1989 Budget proposes to reestablish a single appropriation for these activities. The Secretary is charged with the responsibility and implementation of national agriculture policies enacted by the Congress. The establishment of multiple appropriations limits his ability to establish priorities and shift resources necessary to meet the changing conditions of America's agriculture.

OFFICE OF THE SECRETARY

Appropriations Act, 1988	\$5,710,000
Budget Estimate, 1989	5,998,000
Increase in Appropriation	<u>+288,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Costs</u>	<u>Program Change</u>	<u>1989 Estimated</u>
Immediate Office of the Secretary	\$1,466,000	+\$102,000	+\$194,000	\$1,762,000
Investigation of Large Payments..	100,000	--	-100,000	--
Office of the Deputy Secretary ..	321,000	+15,000	+27,000	363,000
Assistant Secretary for Special Services	416,000	--	-416,000	--
Assistant Secretary for Administration	498,000	+19,000	-50,000	467,000
Assistant Secretary for Governmental and Public Affairs	347,000	+19,000	+42,000	408,000
Assistant Secretary for Economics	484,000	+19,000	-56,000	447,000
Assistant Secretary for Science and Education	386,000	+19,000	+27,000	432,000
Assistant Secretary for Marketing and Inspection Services	363,000	+19,000	+39,000	421,000
Under Secretary for International Affairs and Commodity Programs .	524,000	+19,000	-130,000	413,000
Under Secretary for Small Community and Rural Development	440,000	+19,000	-41,000	418,000
Assistant Secretary for Natural Resources and Environment	--	+19,000	+442,000	461,000
Assistant Secretary for Food and Consumer Services	365,000	+19,000	+22,000	406,000
Total Available	<u>\$5,710,000</u>	<u>+288,000</u>	<u>-0-</u>	<u>a/5,998,000</u>

a/ This represents a realignment of resources within the Office of the Secretary commensurate with the staffing and responsibilities of each Under and Assistant Secretary.

PROJECT STATEMENT
(On basis of appropriation)

	: 1987 Actual		: 1988 Estimated		: Increase:	: 1989 Estimated	
Project	: Amount	: Staff: : Years:	: Amount	: Staff: : Years:	or Decrease:	: Amount	: Staff : Years
1. Secretary ...	\$1,985,263:	18	\$1,466,000:	20	+\$296,000:	\$1,762,000:	29
Investiga- tions.....	--:	--	100,000:	--	-100,000:	--:	--
2. Deputy Secretary....	--:	4	321,000:	4	+42,000:	363,000:	4
3. Under/Asst. Secretaries	:	:	:	:	:	:	:
SS.....	--:	--	416,000:	5	-416,000:	--:	--
ADM.....	443,227:	5	498,000:	5	-31,000:	467,000:	5
OGPA.....	317,506:	5	347,000:	5	+61,000:	408,000:	5
ECON.....	310,053:	5	484,000:	5	-37,000:	447,000:	5
S/E.....	346,150:	5	386,000:	5	+46,000:	432,000:	5
MIS.....	322,967:	5	363,000:	5	+58,000:	421,000:	5
IACP.....	350,350:	4	524,000:	5	-111,000:	413,000:	5
SCRD.....	313,956:	4	440,000:	5	-22,000:	418,000:	5
NRE.....	321,142:	5	--:	--	+461,000:	461,000:	5
FCS.....	300,144:	5	365,000:	5	+41,000:	406,000:	5
Unobligated Balance	: 10,255,242:	:	:	:	:	:	:
Total Available	:	:	:	:	1/:	:	:
or Estimate	:\$15,266,000:	65	:\$5,710,000:	69	+\$288,000:	\$5,998,000:	78

EXPLANATION OF PROGRAM

The Office of the Secretary, Deputy Secretary, Under Secretaries, Assistant Secretaries and their immediate staffs provide policy and guidance for the Department and maintain relationships with agricultural organizations and others in the development of farm programs.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of \$288,000 for the annualization of pay costs that were absorbed in fiscal year 1988 and that are necessary to carry out the programs in fiscal year 1989.

(2) A net change of \$0 for the realignment of resources within the Office of the Secretary commensurate with the staffing and responsibilities of each Under and Assistant Secretary.

Need for Change

The realignment of funds is needed to provide sufficient funding to carry out the function of each Office. The Secretary cannot simply adjust funding levels because separate appropriations have been established for the Under and Assistant Secretaries. Accordingly, the adjustment is being proposed as part of the budget process.

Nature of Change

The change does not result in an overall increase or decrease but does provide adequate resources for the Secretary to carry out the leadership, planning, and guidance functions for the Department and ensure that agricultural programs are consistent with the prescribed goals and objectives of the Department.

Office of the Secretary
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Washington, D.C.	\$5,010,758	65	\$5,710,000	69	\$5,998,000	78

OFFICE OF THE SECRETARY
PASSENGER MOTOR VEHICLES

The 1989 Budget Estimates propose no additional or replacement passenger motor vehicles.

Two vehicles are rented on an annual basis for use by the Secretary of Agriculture and the Deputy Secretary.

DEPARTMENTAL ADMINISTRATION

Purpose Statement

The Departmental Staff Offices provide staff support to the top policy officials of the Department and overall direction and coordination of the work of USDA's program agencies to ensure the efficient and effective management and operation of the Department.

Activities carried out by Departmental Staff Offices include:

- Overall direction and administration of the Department's budgetary functions including development, presentation, execution control, reporting and adjusting funds and manpower resources; evaluation of program and legislative proposals for program, budget, and related resource implications; and analysis of program resource issues and alternatives and preparation of summaries of pertinent data to aid Departmental policy officials and agency program managers in the decision-making process.
- Departmental leadership, oversight, and policy development in the areas of real and personal property, procurement, contracts, motor vehicles, management improvement, and automated data processing.
- Guidance in and support of the personnel management program of the Department.
- Overall guidance, leadership, and coordination for the Department's programs for equal opportunity and civil rights; implementation and administration of programs under Sections 8 and 15 of the Small Business Act; direction of the Department's efforts to further the participation of minority colleges and universities in Departmental programs; and direction and monitoring of compliance in promoting full and open competition in procurement.
- Departmental leadership, development and evaluation of programs in finance, accounting, Federal assistance, occupational safety and health, travel, productivity improvement, and management improvement; and provision of budget, accounting and fiscal services to the Office of the Secretary and Departmental Staff Offices.
- Regulatory hearings and decisions by the Administrative Law Judges who hold rulemaking and adjudicatory hearings and issue initial decisions and orders, and by the Judicial Officer who serves as final deciding officer in regulatory proceedings.
- Development and dissemination of Departmental standards, guidelines, rules, and regulations necessary to implement approved Information Resources Management (IRM) principles, policies, and programs that improve the operational effectiveness of USDA's programs; provision of telecommunications and ADP services to USDA agencies and Staff Offices.
- Development of policies and procedures to minimize and control burdens associated with collection of information by the Department from individuals, businesses, and other private institutions, and State and local governments.
- Development of policies and procedures to provide required long-range IRM planning for the Department and to guide the planning of its agencies.
- Development of policies and procedures for the required review, monitoring and oversight of major Agency and Departmental Information Resources Management programs.

Working Capital Fund Activities. In addition to the activities indicated above, the Department's Staff Offices provide central services to the agencies of the Department, which are currently financed under the Department's Working Capital Fund (7 U.S.C. 2235) and include central accounting, payroll, voucher payments, billings and collections, supply, reproduction and copier services, mail collection and delivery, mailing lists, forms distribution, central shipping and receiving, excess property control, executive correspondence control, Imprest Fund, an automated contract system, computer services and centralized telecommunication services. A detailed explanation of these activities is presented in the Working Capital Fund section.

Reimbursable Activities. Includes personnel training services, and travel and printing for the Administrative Law Judges as well as reimbursements for service to Working Capital Fund activities.

Geographic Location. The majority of the staff offices are located in Washington, D.C. Central services financed through the Working Capital Fund are provided by the National Finance Center located in New Orleans and by the Department's computer centers located in Washington, D.C., Kansas City, Missouri and Fort Collins, Colorado, and by other administrative service units located in the Washington Metropolitan area.

As of September 26, 1987, there were 1,863 full-time employees and 203 part-time employees in the staff offices included under Departmental Administration, including 666 permanent full-time and 40 part-time employees located in Washington, D.C.

DEPARTMENTAL ADMINISTRATION

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Direct Appropriation.....	\$22,312,728	423	\$24,916,000	469	\$26,542,000	483
Obligations Under Other						
Appropriations:						
Combined Federal Funds...	48,000	--	--	--	--	--
Mine Safety Board.....	--	--	24,000	--	24,000	--
Department of Interior...	--	--	24,000	--	24,000	--
Miscellaneous Details...	176,957	--	61,000	--	61,000	--
Office of Administrative:						
Law Judges.....	277,724	--	116,000	--	116,000	--
Subtotal.....	502,681	--	225,000	--	225,000	--
Management Support						
Services Provided To						
WCF Activities.....	3,338,598	56	3,473,000	70	3,543,000	70
GSA Lease Management...	126,604	3	--	--	--	--
Total, Reimbursements	3,967,883	59	3,698,000	70	3,768,000	70
Working Capital Fund:						
Supply and Other Central:						
Services.....	10,491,000	129	12,630,000	148	13,341,000	150
National Finance Center..	52,888,000	1,190	59,123,000	1,147	62,746,000	1,183
ADP Services.....	43,985,000	227	56,469,000	204	49,342,000	203
Purchase of Equipment...	14,308,000	--	17,173,000	--	19,440,000	--
Subtotal, Working						
Capital Fund.....	121,672,000	1,546	145,395,000	1,499	144,869,000	1,536
TOTAL, Other						
Appropriations.....	125,639,883	1,605	149,093,000	1,569	148,637,000	1,606
TOTAL, Departmental						
Administration.....	147,952,611	2,028	174,009,000	2,038	175,179,000	2,089

Full-time Equivalent Staff-Years:	1987 Actual	1988 Estimated	1989 Estimated
Ceiling.....	1,959	1,963	2,014
Non-Ceiling.....	69	75	75
Total.....	2,028	2,038	2,089

DEPARTMENTAL ADMINISTRATION
Permanent Positions By Grade And Staff Year Summary
1987 And Estimated 1988 and 1989

GRADE	1987			1988			1989			
	HDQTRS.:	FIELD:	TOTAL::	HDQTRS.:	FIELD:	TOTAL::	HDQTRS.:	FIELD:	TOTAL	
ES-6	5	:	0:	5	::	5	:	0	:	5
ES-5	8	:	1:	11	::	8	:	1	:	9
ES-4	4	:	0:	4	::	4	:	0	:	4
ES-3	0	:	3:	3	::	0	:	4	:	4
ES-2.....	1	:	4:	5	::	1	:	4	:	5
ES-1.....	1	:	0	1	::	1	:	0	:	1
GS/GM-17 ..	1	:	0:	1	::	1	:	0	:	1
GS/GM-16 ..	5	:	0:	5	::	5	:	0	:	5
GS/GM-15 ..	33	:	10:	43	::	36	:	9	:	45
GS/GM-14 ..	81	:	31:	112	::	85	:	40	:	125
GS/GM-13....	137	:	85:	222	::	140	:	88	:	228
GS-12	73	:	158:	231	::	66	:	158	:	224
GS-11	25	:	107:	132	::	16	:	86	:	102
GS-10	1	:	6:	7	::	4	:	9	:	13
GS- 9	42	:	46:	83	::	37	:	74	:	111
GS- 8	22	:	43:	65	::	20	:	34	:	54
GS- 7	59	:	98:	157	::	64	:	98	:	162
GS- 6	29	:	153:	182	::	34	:	135	:	169
GS- 5	40	:	199:	239	::	41	:	227	:	268
GS- 4	35	:	186:	221	::	33	:	149	:	182
GS- 3	35	:	52:	87	::	30	:	79	:	109
GS- 2	5	:	0:	5	::	4	:	20	:	24
GS- 1	0	:	0:	0	::	0	:	2	:	2
Ungraded	:	:	:	:	:	:	:	:	:	:
Positions..	27	:	21:	42	::	27	:	15	:	42
Total Perm.	:	:	:	:	:	:	:	:	:	:
Positions..	669	:	1,197:	1,866	::	662	:	1,232	:	1,894
Staff Years:	:	:	:	:	:	:	:	:	:	:
Ceiling....	620	:	1,339:	1,959	::	691	:	1,272	:	1,963
Non-Ceiling	6	:	63:	69	::	9	:	66	:	75
TOTAL.....	626	:	1,402:	2,028	::	700	:	1,338	:	2,038
	716	:	1,373:	2,089	::		:		:	

DEPARTMENTAL ADMINISTRATIONCLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters.....	\$16,025,187	18,138,000	19,047,000
Field.....	--	--	--
11 Total personnel compensation.	16,025,187	18,138,000	19,047,000
12 Personnel benefits.....	1,819,531	2,298,000	2,535,000
13 Benefits for former personnel	5,000	19,000	19,000
Total Personnel Comp. and			
Benefits.....	17,849,718	20,455,000	21,601,000
Other Objects:			
21 Travel.....	381,780	411,000	430,000
22 Transportation of things....	10,215	7,000	7,000
23.2 Communications, utilities			
and other rent.....	924,269	1,086,000	1,147,000
24 Printing and reproduction...	409,894	366,000	373,000
25 Other services.....	1,159,949	1,863,000	2,203,000
26 Supplies and materials	462,664	375,000	396,000
31 Equipment.....	474,662	253,000	285,000
41 Grant & Subsidies and			
Contributions.....	74,000	100,000	100,000
Total other objects.....	3,897,433	4,461,000	4,941,000
Total direct obligations.....	21,747,151	24,916,000	26,542,000
Position Data:			
Average Salary, ES positions.....	\$74,633	\$74,823	\$75,945
Average Salary, GM/GS positions.....	\$36,586	\$37,089	\$38,227
Average Grade, GM/GS positions.....	10.2	11.7	11.7

DEPARTMENTAL ADMINISTRATION

The estimates include appropriation language for this item as follows: (new language in underscored; deleted matter enclosed in brackets):

Departmental Administration

For Budget and Program Analysis, [~~\$4,252,000~~] \$4,339,000; for Personnel, Finance and Management, Operations, Information Resources Management, Advocacy and Enterprise, and Administrative Law Judges and Judicial Officer, [~~\$20,642,000~~] \$21,941,000 and for the payment of the USDA share of the National Communications System, [~~\$110,000~~] \$262,000; making a total of [~~\$25,004,000~~] \$26,542,000 for Departmental Administration to provide for necessary expenses for management support services to offices of the Department of Agriculture and for general administration and emergency preparedness of the Department of Agriculture, repairs and alterations, and other miscellaneous supplies and expenses not otherwise provided for and necessary for the practical and efficient work of the Department of Agriculture, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed \$10,000 is for employment under 5 U.S.C. 3109: Provided, That this appropriation shall be reimbursed from appropriations in this Act for travel expenses incident to the holding of hearings as required by 5 U.S.C. 551-558.

DEPARTMENTAL ADMINISTRATION

Appropriation Act, 1988	\$25,004,000
Budget Estimate, 1989	26,542,000
Increase in Appropriation	<u>+1,538,000</u>

Adjustments in 1988:

Appropriation Act, 1988	\$25,004,000
Transfer to Buildings Operation and Maintenance a/.....	<u>-88,000</u>
Adjusted Base for 1988	24,916,000
Budget Estimate, 1989	26,542,000
Increase from adjusted 1988.....	<u>+1,626,000</u>

a/ \$133,000 appropriated for building security in the Washington D.C. complex in FY 1988 included \$88,000 that is transferred to USDA Building Operations and Maintenance for management of security services.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1988 estimated</u>	<u>1988 Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Budget and Program Analysis	\$4,252,000	+\$87,000	--	\$4,339,000
Personnel.....	5,655,000	+127,000	+200,000	5,982,000
Finance and Management.....	3,768,000	+85,000	+185,000	4,038,000
Operations.....	2,628,000	+60,000	+207,000	2,895,000
Information Resources				
Management.....	4,547,000	+88,000	+228,000	4,863,000
Advocacy and Enterprise....	3,014,000	+74,000	--	3,088,000
Administrative Law Judges & Judicial Officer.....	942,000	+23,000	+110,000	1,075,000
National Communications System.....	110,000	--	+152,000	262,000
Total Available.....	<u>24,916,000</u>	<u>+544,000</u>	<u>+1,082,000</u>	<u>26,542,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1987 Actual		1988 Estimated		Increase	1989 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Budget and Program Analysis....	\$3,612,757	69	\$4,252,000	78	+87,000(1)	\$4,339,000	78
2. Departmental Administrative Mgmt... Staff Offices:							
a. Personnel..	5,085,884	110	5,655,000	115	+327,000	5,982,000	119
b. Finance & Management:	3,358,159	60	3,768,000	71	+270,000	4,038,000	74
c. Operations:	2,495,112	58	2,628,000	64	+267,000	2,895,000	67
d. Informa- tion Res. Mgmt.....	3,597,954	59	4,547,000	64	+316,000	4,863,000	66
e. Advocacy & Enter- prise....	2,678,691	48	3,014,000	58	+74,000	3,088,000	58
f. Adminis- trative Law Judges & Judicial Officer...	918,594	19	942,000	19	+133,000	1,075,000	21
Total Staff Offices.....	18,134,394	354	20,554,000	391	+1,387,000(2)	21,941,000	405
g. National Communica- tions Sys..	--	--	110,000	--	+152,000(3)	262,000	--
Total, Admin. Mgmt.....	18,134,394	354	20,664,000	391	+1,539,000	22,203,000	405
Unobligated Balance lapsing:	565,577	--	--	--	--	--	--
Total Available..	22,312,728	423	24,916,000	469	+1,626,000	26,542,000	483
Shift from Reim- bursable Acti- vities.....	-293,728	-6	--	--			
Transfer of physical security function a/....	-23,000		+88,000	--			
Total, Appropri- ation.....	21,996,000	417	25,004,000	469			

a/ Transfer of physical security function from OIG to Departmental Administration (\$23,000 in FY 1987 and \$45,000 in FY 1988). The FY 1988 appropriation provided \$133,000 to the Departmental Administration account; \$88,000 should have been provided to Building Operations and Maintenance.

EXPLANATION OF PROGRAM

This appropriation provides for the following activities:

Budget and Program Analysis - This activity provides direction and administration of the Department's budgetary functions including development, presentation, execution, control, reporting and adjusting fund and staff-year resources; evaluates program and legislative proposals for program, budget and related resources implications; analyzes program and resource issues and alternatives, and prepares summaries of pertinent data to aid Departmental policy officials and agency program managers in the decision-making process; provides Department-wide coordination for and participation in the presentation of budget related matters to the Committees of the Congress, the press, and interested public. Provides Department-wide coordination of the preparation and processing of legislative programs and reports; and develops and maintains a mission-oriented program structure which defines Department missions, goals and objectives for the purpose of establishing long and short range program planning and to aid the Secretary and other Departmental agency officials in making management decisions regarding the Department's programs and resources.

Personnel - This activity provides general liaison, direction, leadership, coordination and monitoring of the personnel management program in the Department. Departmental policies and procedures relating to all personnel functions are promulgated, and operational services are provided and to the Office of the Secretary, Office of the Inspector General, Office of the General Counsel, Office of Governmental and Public Affairs, Office of Budget and Program Analysis, and the Departmental Administrative Staff Offices. Equal Employment Opportunity under Title 7 of the Civil Rights Act of 1964 is provided to all USDA agencies.

Finance and Management - This activity provides Departmental leadership, development and evaluation of programs in finance, accounting, Federal occupational safety and health, productivity and management improvements. The Director serves as the Department's chief financial officer, management improvement officer and comptroller of the Working Capital Fund. Finance and Management also provides budget, accounting and fiscal operational services to the Departmental Administrative Staff Offices, Office of the General Counsel, Office of Governmental and Public Affairs, Office of Budget and Program Analysis and the Office of the Secretary.

Operations - This activity provides staff and support services to the USDA Agencies in the management of real and personal property, procurement, contracts, supplies, motor vehicles and internal energy conservation. Under an agreement with GSA, it operates and provides maintenance security and services to the Washington, D.C. building complex. The Office of Operations also provides procurement and contract operational services to Departmental Administrative Staff Offices, Office of the General Counsel, Office of Governmental and Public Affairs, Office of Budget and Program Analysis and the Office of the Secretary.

Information Resources Management - This activity designs, implements and revises systems, processes, work methods and techniques to improve the management of information resources and the operational effectiveness of USDA. The Director serves as the Department's clearance officer for statistical reporting and information collection. This activity also provides telecommunications and ADP services to USDA agencies and staff offices including the Fort Collins Computer Center, and Kansas City Computer Center. The Office of Information Resources Management also provides, through a Departmental Computer Services Unit, ADP Operational Services to the Departmental Administrative Staff Offices, Office of Budget and Program Analysis, Office of Governmental and Public Affairs and the Office of the Secretary.

Advocacy and Enterprise - This activity provides leadership, and coordination for the Department's programs for Equal Opportunity, Civil Rights and Affirmative action; implementation and administration of sections 8 and 15 of the Small Business Act; and direction of Departmental efforts to further the participation of minority colleges and universities in USDA programs; direction and monitoring of compliance in promoting full and open competition in procurement.

Administrative Law Judges/Judicial Officer - The Administrative Law Judges hold hearings in connection with prescribing new regulations and orders and on disciplinary complaints filed by the Department or on some petitions filed by private parties asking relief from actions of the Department. Final administrative decisions in regulatory proceedings are rendered by the Judicial Officer.

National Communications System - This activity represents USDA's proportionate share of the cost of developing a nationwide emergency preparedness telecommunications network established and required by Presidential National Security Decision Directive number 201.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$87,000 for the Office of Budget and Program Analysis to annualize FY 1988 pay costs.

(2) An increase of \$1,387,000 for the Departmental Staff Offices consisting of:

(a) An increase of \$127,000 to annualize FY 1988 pay costs and \$200,000 for EEO Counseling Activities for a total increase of \$327,000 to the Office of Personnel.

Need for Change. Continuing emphasis on EEO and civil rights activities places an increased demand on the Personnel office to handle employee complaints, to minimize adverse actions, and to improve program oversight.

Nature of Change. Four additional staff years and operating resources will be added to the EEO Counseling pilot program with increased service in field locations. This is expected to decrease the number of formal complaints from 25 percent to 7.8 percent by resolving cases through informal resolution. Also, staff will assist the Office of Advocacy and Enterprise in the conduct of EEO compliance reviews.

(b) An increase of \$85,000 to annualize FY 1988 pay costs and \$185,000 to upgrade budget and fiscal support and productivity improvement for a total increase of \$270,000 to Finance and Management.

Need for Change. Budget and fiscal support services have not kept pace with the expanding workloads due to the increased number of accounts serviced, the increased complexity and uncertainty of the budget process, and deficit reduction activities. Productivity improvement has received added emphasis, resulting in a need for increased oversight of agency improvement plans and goals.

Nature of Change. Two additional staff years and operating resources will be applied to providing greater budget and fiscal support services to the Office of the Secretary, Office of the General Counsel, Office of Governmental and Public Affairs, Staff Offices and other appropriations under Departmental Administration. Oversight of USDA's agencies' productivity improvement activities will be increased with the addition of one staff year.

- (c) An increase of \$60,000 to annualize 1988 pay costs and \$207,000 to assess Department-wide motor vehicle management, to conduct procurement, real and personal property reviews for a total increase of \$267,000 to Operations.

Need for Change. The Consolidated Omnibus Budget Reconciliation Act (P.L. 99-272) requires a Departmental assessment of USDA agencies' motor vehicle management with comparison to GSA and private motor fleet management alternatives to determine the most cost-effective method for operation. USDA has over 250 major procurement offices nation-wide, a 850,000 item personal property inventory at 17,000 locations and over \$100 million in leases at various locations. These geographically dispersed activities require periodic program reviews to ensure that USDA receives the goods and services paid for, that personal property is inventoried and disposed of in the proper manner, and that leased space is managed appropriately.

Nature of Change. One added staff year and ADP resources will be applied to contract management for the Motor Vehicle management study. Two staff years and travel resources will be used for the conduct of procurement reviews, to review or set up personal property management disposal and inventory systems at agencies' field locations, and to conduct real property surveys.

- (d) An increase of \$88,000 to annualize FY 1988 pay costs and \$228,000 to develop a USDA-wide telecommunication strategic plan and management system for a total increase of \$316,000 to Information Resource Management.

Need for Change. USDA spends \$150 million annually on telecommunications. Consequently, USDA needs to develop a Department-wide telecommunications strategic plan, to develop telecommunication standards, and to review agencies' telecommunications management, as well as to control information management resources, including software, better.

Nature of Change. Two additional staff years and contract resources will be used to develop a USDA telecommunications strategic plan, to establish telecommunication management standards, and to provide oversight of information and software management by USDA agencies. This will ensure a continued high level and quality of office automation and ADP support services to USDA agencies and programs.

- (e) An increase of \$74,000 to Advocacy and Enterprise to annualize FY 1988 pay costs.

- (f) An increase of \$23,000 to annualize FY 1988 pay costs and \$110,000 for added legal and clerical services to assist the Administrative Law Judges with increasing caseloads for a total increase of \$133,000.

Need for Change. Due to recent court rulings and legislation, e.g., requirements under the Horse Protection Act, the Administrative Law Judges and the Hearing Clerks offices are anticipating a 45 percent increase in hearing caseloads and case certifications.

Nature of Change. Two additional law clerks and one secretarial staff year will assist the Administrative Law Judges and the Hearing Clerks Office in case research and hearing preparation and in certification of cases to facilitate handling of anticipated, increase caseloads.

- (3) An increase of \$152,000 to pay USDA's share of the National Communications System (NCS).

Need for Change. USDA must contribute resources to aid in financing a National Level Program (NLP) of emergency communications as required by National Security Decision Directive (NSDD) 201.

Nature of Change. Increase of \$152,000 in other services to pay USDA's share of the communications system. This payment supports development of the NCS and is not a regular Departmental activity.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1987 AND ESTIMATED 1988 AND 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>
	<u>Amounts</u>	<u>Staff</u>	<u>Amounts</u>	<u>Staff</u>	<u>Amounts</u>
		<u>Years</u>		<u>Years</u>	
Washington, D.C.	\$21,747,151	423	\$24,916,000	469	\$26,542,000 483

WORKING CAPITAL FUND

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters	\$ 4,156,000	\$ 4,887,000	\$ 4,969,000
Field	35,196,000	38,950,000	38,706,000
11 Total Personnel Compensation	39,352,000	43,837,000	43,675,000
12 Personnel Benefits	4,630,000	5,594,000	7,770,000
13 Benefits for Former Personnel ...	43,000	83,000	85,000
Total Personnel Compensation and Benefits	<u>44,025,000</u>	<u>49,514,000</u>	<u>51,530,000</u>
Other Objects:			
21 Travel	789,000	909,000	820,000
22 Transportation of Things	166,000	286,000	505,000
23.1 Standard Level User Charges.....	2,826,000	3,744,000	3,920,000
23.2 Communications, Utilities and Other Rent	26,854,000	27,703,000	27,023,000
24 Printing and Reproduction	698,000	1,045,000	1,057,000
25 Other Services	22,424,000	32,416,000	25,926,000
26 Supplies and Materials	5,405,000	5,817,000	5,860,000
31 Equipment	14,881,000	17,574,000	19,779,000
43 Interest and dividends	7,000	1,000	1,000
92 Depreciation	6,675,000	9,407,000	11,552,000
Total other objects	<u>80,725,000</u>	<u>98,902,000</u>	<u>96,443,000</u>
Total	<u>\$124,750,000</u>	<u>\$148,416,000</u>	<u>\$147,973,000</u>
Position Data:			
Average Salary, ES positions	\$70,022	\$69,358	\$69,358
Average Salary, GM/GS positions ...	\$23,737	\$27,187	\$26,764
Average Grade, GM/GS positions	7.66	7.61	7.62

WORKING CAPITAL FUND

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Working Capital Fund

An amount of [\$5,708,000] \$6,000,000 is hereby appropriated to the Departmental Working Capital Fund to increase the Government's equity in this fund and to provide for the purchase of automated data processing, data communication, and other related equipment necessary for the provision of Departmental centralized services to the agencies.

WORKING CAPITAL FUNDAppropriation:

Appropriation Act, 1988	\$ 5,708,000
Budget Estimate, 1989	6,000,000
Increase in Appropriation	<u><u>+\$ 292,000</u></u>

Program Activity:

Operating Estimate, 1988	\$131,165,000
Budget Estimate, 1989	128,470,000
Decrease from 1988	<u><u>-\$ 2,695,000</u></u>

SUMMARY OF INCREASES AND DECREASES
(On Basis of Appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Capitalization of the Fund.....	\$5,708,000	+\$292,000	\$6,000,000

PROJECT STATEMENT
(On Basis of Appropriation)

Project	1987 Actual		1988 Estimated		Increase	1989 Estimated	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
I. Working Capital Fund	\$5,708,000	--	\$5,708,000	--	+\$ 292,000	\$6,000,000	--
Total	\$5,708,000	--	\$5,708,000	--	+\$ 292,000	\$6,000,000	--

Working Capital Fund

SUMMARY OF INCREASE AND DECREASES
(Program Activity)

Item of Change	1988 Estimated	Program Changes	1989 Estimated
1. Supply & Other Central Services ..	\$ 12,630,000	+\$ 711,000	\$ 13,341,000
Central Supply Stores	1,749,000	+ 55,000	1,804,000
Central Supply Forms	2,120,000	+ 59,000	2,179,000
Mail Distribution Service	2,352,000	+ 67,000	2,419,000
Executive Corresp. & Records	509,000	+ 16,000	525,000
Agriculture Contract Auto. Sys.	184,000	+ 16,000	200,000
Central Shipping & Receiving	372,000	+ 22,000	394,000
Central Excess Property	1,613,000	+ 310,000	1,923,000
Central Imprest Fund	118,000	+ 4,000	122,000
Copier/Duplication Center	3,613,000	+ 162,000	3,775,000
2. Video & Film, & Visual Design Services	2,943,000	+ 98,000	3,041,000
Video and Film	941,000	+ 33,000	974,000
Visual Design Services	2,002,000	+ 65,000	2,067,000
3. National Finance Center	59,123,000	+ 3,623,000	62,746,000
4. ADP Services	56,469,000	- 7,127,000	49,342,000
Fort Collins Computer Center	13,370,000	+ 280,000	13,650,000
Kansas City Computer Center	40,856,000	- 7,400,000	33,456,000
Computer Services Unit	868,000	+ 18,000	886,000
Telephone Service Operations	800,000	- 50,000	750,000
Local Area Network	575,000	+ 25,000	600,000
Total Recurring Operations	131,165,000	- 2,695,000	128,470,000
Capital Equipment Acquisition	17,251,000	+ 2,252,000	19,503,000
Total	\$148,416,000	-\$ 443,000	\$147,973,000

PROJECT STATEMENT
(On Basis of Program Activity)

Project	1987		1988 (Estimated)		Increase or Decrease	1989 (Estimated)	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Supply & Other Central Serv...	\$ 10,491,000	129	\$ 12,630,000	148	+\$ 711,000	\$ 13,341,000	150
Central Supply Stores	1,662,000	6	1,749,000	7	+ 55,000	1,804,000	7
Central Supply Forms	1,560,000	4	2,120,000	4	+ 59,000	2,179,000	4
Mail Distribution Service	1,950,000	57	2,352,000	71	+ 67,000	2,419,000	71
Executive Corresp. & Records	430,000	8	509,000	11	+ 16,000	525,000	11
Agri. Contract Auto. System	163,000	2	184,000	2	+ 16,000	200,000	2
Central Shipping & Receiving	287,000	1	372,000	1	+ 22,000	394,000	1
Central Excess Property	1,281,000	8	1,613,000	10	+ 310,000	1,923,000	12
Central Imprest Fund	86,000	3	118,000	4	+ 4,000	122,000	4
Copier/Duplication Center	3,072,000	40	3,613,000	38	+ 162,000	3,775,000	38
2. Video & Film, and Visual Design Services.....	2,919,000	18	2,943,000	22	+ 98,000	3,041,000	22
Video and Film	1,048,000	9	941,000	10	+ 33,000	974,000	10
Visual Design Services	1,871,000	9	2,002,000	12	+ 65,000	2,067,000	12
3. National Finance Center.....	52,888,000	1,190	59,123,000	1,147	+ 3,623,000	62,746,000	1,183
4. ADP Services	43,985,000	227	56,469,000	204	- 7,127,000	49,342,000	203
Fort Collins Computer Center	11,353,000	66	13,370,000	68	+ 280,000	13,650,000	68
Washington Computer Center*	10,670,000	69	0	0	0	0	0
Kansas City Computer Center*	19,960,000	84	40,856,000	128	- 7,400,000	33,456,000	127
Computer Services Unit	881,000	8	868,000	8	+ 18,000	886,000	8
Telephone Service Oper.	629,000	0	800,000	0	- 50,000	750,000	0
Local Area Network	492,000	0	575,000	0	+ 25,000	600,000	0
Total Recurring Operations	110,283,000	1,564	131,165,000	1,521	- 2,695,000	128,470,000	1,558
Capital Equipment Acquisition	14,467,000	0	17,251,000	0	+ 2,252,000	19,503,000	0
Total	\$124,750,000	1,564	\$148,416,000	1,521	-\$ 443,000	\$147,973,000	1,558

* Operations of the Washington Computer Center were merged into the Kansas City Computer Center in FY 1988.

FUNDING FROM NON-USDA SOURCES
(On Basis of Program Activity)

Project	1987	1988 (Estimated)	Increase or Decrease	1989 (Estimated)
	Amount	Amount		Amount
1. Supply & Other Central Serv...	\$ 456,000	\$ 615,000	+\$ 237,000	\$ 852,000
2. Video & Film, and Visual Design Services.....	35,000	39,000	+ 0	39,000
3. National Finance Center.....	7,668,000	12,645,000	+ 2,729,000	15,374,000
4. ADP Services.....	2,381,000	2,300,000	- 800,000	1,500,000
Total	\$ 10,540,000	\$ 15,599,000	+\$2,166,000	\$ 17,765,000

WORKING CAPITAL FUND

Explanation of Program

Authorized under Public Law 78-129, making appropriations to USDA for FY 1944 (7 U.S.C. 2235), the USDA Working Capital Fund finances services provided to USDA agencies on a centralized basis. Under the law, only activities approved by the Director of OMB may be carried out under the Fund. Centralization is recommended by the Department and approved by OMB when:

- Centralization will result in cost savings due to:
 - Economies of scale
 - Reduced overhead
 - Central cost based management
 - Coordination which avoids duplication of effort among agencies
- Centralization offers other advantages such as:
 - Improved services to agencies and to the public
 - Availability of services to agencies which could not afford them except on a centralized basis
 - Ability to replace equipment on a long-term basis including depreciation costs in rates charged to users

The Fund received an initial appropriation of \$400,000 for FY 1944. Over the years additional working capital has been made available through initial transfers into the Fund of activities meeting the above criteria and through Congressional authorizations to receive growth capital from serviced USDA agencies. For FY 1988 the Fund received an appropriation of \$5,708,000 for capital procurement. These funds will be used to purchase currently leased or new equipment for Fund activity centers to provide requested services to agencies of the Department. This investment will avoid lease cost increases over the remaining life of the equipment and result in lower unit costs for central services provided to these users. We are requesting an additional \$6,000,000 capital funding in FY 1989 as the final phase of a multi-year program begun in FY 1985 to increase the capitalization of the Fund.

WCF operations are financed by charging user agencies the actual costs of providing the centralized services they require. The following services are performed for the agencies and financed through the Working Capital Fund:

Supply and Other Central Services. This activity includes the following services under the supervision of the Office of Operations: (a) central supply, which provides for the acquisition, receipt, storage, issuance, packing and shipment of office and other supplies, blank forms and miscellaneous materials for the Department and other Government agencies; (b) central mail services, which include operation of the USDA mail processing, messenger, and automated mailing list services; (c) executive correspondence and records system, which provides referral and correspondence control services for mail addressed to the Secretary, the immediate Office of the Secretary, and the Department; (d) central excess

property, which coordinates receipt, rehabilitation, and distribution of personal property for the Department and other Governmental agencies; (e) central shipping and receiving services; (f) central imprest fund, which provides cash advances for small purchases and travel; (g) automated contract system used by agencies and staff offices to prepare procurement documents; and (h) copier and duplicating services which provide duplicating, reproducing, binding, addressing and mailing, and short order and copier stations for duplicating and xerographic production.

Video and Film, & Visual Design Services. These activities, managed by the Office of Governmental and Public Affairs plan, design, and produce visual information materials, exhibits, art, and graphics materials for the Department and other Governmental agencies.

National Finance Center. This activity in the Office of Finance and Management designs, develops, implements, and operates centralized administrative systems for the Department. Centralized payroll, personnel, voucher and vendor payments, billings and collections, property management, accounting, and financial recordkeeping systems are currently provided. It also produces external financial reports to Treasury and other agencies, and internal management reports for Departmental agencies. In addition, the National Finance Center provides financial and accounting services to a number of other Federal Departments through "cross-servicing" agreements and serves as recordkeeper for the Thrift Savings Plan system under the Federal Employee Retirement System.

Automated Data Processing (ADP) Services. This activity in the Office of Information Resources Management operates Departmental computer centers at Ft. Collins, Colorado; and Kansas City, Missouri, to provide ADP services to USDA and other agencies. A Washington Service Center provides an access center for Washington, D.C., users of the mainframe computer facility in Kansas City. The Computer Services Unit, servicing Departmental Staff Offices and the Office of the Secretary, is also operated by the Office of Information Resources Management. Telephone Service Operations coordinates the maintenance and operation of telephone equipment for Washington-area offices of the Department. The Local Area Network (LAN) provides telecommunications service and support for Washington-area offices of USDA.

JUSTIFICATION OF INCREASES AND DECREASES

Centralized administrative services enable users to receive high quality services at the lowest possible cost of operation. Operating services in this manner has resulted in a trend toward minimizing unit costs (measured in constant dollars) for recurring operations in recent years. Anticipation of a continuation of this trend, as well as the most recent estimates of demand for service, serve as the basis for cost estimates for revised FY 1988 cost estimates and initial estimates for FY 1989.

Centralized administrative services are subject to regular oversight consistent with both Administration management initiatives and Departmental productivity improvement activities. This oversight is undertaken to determine whether these activities should continue as centrally managed services and offers Departmental management analyses of alternative operating methods. Enhanced productivity and cost-effectiveness result. The results of such oversight exercised in FY 1987 are reflected in the revised FY 1988 and initial FY 1989 cost estimates provided. As regular oversight is conducted, these estimates may be adjusted significantly, subject to review and approval by Departmental management.

The following is an explanation of program activity changes from FY 1988 to FY 1989 currently anticipated.

1. An increase of \$711,000 for recurring operations of Supply and Other Central Services consisting of:

Central Supply Stores	+\$ 55,000
Central Supply Forms	+ 59,000
Mail Distribution Service	+ 67,000
Executive Correspondence and Records	+ 16,000
Central Shipping and Receiving	+ 22,000
Central Excess Property Operation	+ 310,000
Central Imprest Fund	+ 4,000
Agriculture Contract Automation System	+ 16,000
Copier/Duplication Center	+ 162,000
Total	<u>+\$711,000</u>

Need for Change. Increases for activities under this category, with the exceptions of the Agriculture Contract Automation System, the Central Excess Property Operation, and the Copier/Duplication Service are for inflation. Expected workload increases are responsible for increases in the Central Excess Property Operation, while service contract cost increases account for the increase in the Agriculture Contract Automation System. Increases in operating costs for the Copier/Duplication Center reflect inflation and increased costs of operation associated with expected increases in demand.

Nature of Change. In Central Supply Stores, Central Supply Forms, Mail Distribution Service, Executive Correspondence and Records, Central Shipping and Receiving, and Central Imprest Fund, cost increases are due to inflation. In the Agriculture Contract Automation System, increases are due to increased contract costs for system operation and maintenance. In the Central Excess Property Operation, cost increases are due to increased contract, space, and personnel costs. Increased rental charges for operating equipment account for the greatest share of the cost increase for the Copier/Duplication Center; inflation increases account for the remainder.

2. An increase of \$98,000 for recurring operations of Video and Film, and Visual Design Services consisting of:

Video and Film Services	+\$33,000
Design Services	+ 65,000
Total	<u>+\$98,000</u>

Need for Change. Increases in these activities are needed primarily to cover expected inflation increases. Other cost increases reflect workload increases in Design Services.

Nature of Change. In addition to inflation reflected in the cost increases, depreciation charges on equipment account for other operating cost increases in Design Services.

3. An increase of \$3,623,000 for recurring operations of the National Finance Center (NFC).

Need for Change. Increases in operating costs are needed to respond to increases in both the volume of service provided to existing users and the demands of start-up activities for new service agreements with non-USDA agencies. These agreements with non-USDA agencies are entered into with the aim of reducing the total cost to the Government of providing financial management services and reducing the share of fixed costs USDA agencies must pay to operate this Center. Non-USDA agencies bear the largest share of the cost increase. These non-USDA users also incur a share of fixed costs of operation proportionate to their shares of services used. The effect is a reduction in fixed cost shares for USDA users, thereby reducing their unit costs of service.

Nature of Change. Operating cost increases other than inflation at the National Finance Center/New Orleans fall into the workload-driven areas of personnel benefits, ADP rental charges, depreciation on purchased equipment, and other services (contract and administrative services). Cost increases at the National Finance Center/Washington reflect inflation.

5. A decrease of \$7,127,000 for recurring operations of ADP systems consisting of:

Fort Collins Computer Center	+\$ 280,000
Kansas City Computer Center	- 7,400,000
Computer Services Unit	+ 18,000
Telephone Service Operations	- 50,000
Local Area Network	+ 25,000
	<u>-\$7,127,000</u>

Need for Change. Workload increases account for the non-inflation cost increases at the Fort Collins Computer Center, Computer Services Unit, and Local Area Network. In Telephone Service Operations, cost reductions are due to reductions in telephone equipment costs. At the Kansas City Computer Center, reductions reflect the one-time nature of transition costs incurred during FY 1988 as the Washington Computer Center operations were merged with Kansas City.

Nature of Change. At Fort Collins, increases in ADP rent, ADP service, and depreciation costs are partly offset by reductions in personnel and non-capitalized equipment costs. Cost increases in the Local Area Network are due to contract cost increases. Reductions in Telephone Service Operations reflect a decrease in charges for telephone equipment. At Kansas City, increases in transportation, ADP services, and depreciation on equipment are more than offset by reductions in personnel benefits, travel, ADP rent, supplies, non-capitalized equipment, and contract services.

6. An expenditure of \$19,503,000 for capital acquisitions in FY 1989 which is an increase of \$2,252,000 over the FY 1988 acquisition level of \$17,251,000 as follows:

This level of equipment acquisition assumes the use of the \$6,000,000 appropriation for additional capitalization of the fund in FY 1989.

- (1) Capital acquisitions for the National Finance Center of \$5,872,000.

Need for Change. The additional capital equipment is needed to meet projected workload increases, provide improved reliability, and to allow for the expansion of services to USDA and non-USDA agencies.

Nature of Change. This equipment replaces an existing computer which is becoming obsolete. The new system will provide on-line agency access to budgetary data, USDA-wide financial information systems, and other automated systems. The new system offers greater efficiency and offers lower energy consumption, repair, and maintenance costs.

(2) Capital acquisitions for ADP Services of \$13,524,000.

Fort Collins Computer Center	+\$ 5,208,000
Kansas City Computer Center	+ 8,116,000
Computer Services Unit	+ 200,000
Total	<u>+\$13,524,000</u>

Need for Change. Increases at the Kansas City Computer Center and Fort Collins Computer Center are needed to further modernize equipment to provide more efficient service and provide adequate data processing capacity to meet expected demand. The increase in the Computer Services Unit is for a data processing equipment upgrade in response to expected workload increases.

Nature of Change. The Kansas City Computer Center and Fort Collins Computer Center increases are necessary to insure that adequate capacity exists to handle USDA and non-USDA demand.

(3) Capital acquisitions for Video & Film, & Visual Design Services of \$63,000.

Video and Film	+\$ 63,000
Total	<u>+\$ 63,000</u>

Need for Change. The capital equipment is needed to improve and upgrade the quality of services to meet user demand.

Nature of Change. Studio equipment will be acquired to provide improved services in video and film production.

(4) Capital acquisitions for Supply and Other Central Services of \$44,000.

Central Shipping and Receiving	+\$ 7,000
Copier/Duplication Center	+ 30,000
Central Excess Property Operation	+ 7,000
Total	<u>+\$ 44,000</u>

Need for Change. The Copier/Duplication Center increase will be used to replace obsolete equipment. Central Shipping and Receiving, and Central Excess Property Operation will require their increases for equipment used in service delivery.

Nature of Change. The Copier/Duplicating Service will acquire new and improved copiers to improve service quality. New equipment to be purchased in Central Shipping and Receiving (electric pallet truck), and Central Excess Property Operation (a new compact automobile for transportation to the warehouse facility) will replace equipment which has become costly to repair and maintain.

Working Capital Fund

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS1987 and Estimated 1988 and 1989

Geographic Location	1987		1988		1989	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Colorado....	\$ 13,659,000	66	\$ 13,942,000	68	\$ 21,766,000	68
District of Columbia...	25,663,000	227	16,717,000	182	17,256,000	184
Louisiana...	58,705,000	1,183	66,352,000	1,139	68,108,000	1,175
Maryland....	1,560,000	4	2,141,000	4	2,179,000	4
Missouri....	25,163,000	84	49,264,000	128	38,664,000	127
Total Available or Estimate...	\$124,750,000	1,564	\$148,416,000	1,521	\$147,973,000	1,558

RENTAL PAYMENTS AND BUILDING OPERATIONS

Purpose Statement

This account finances the appropriated portion of payments to the General Services Administration (GSA) for rental of leased space and related services. Funding is not provided for payments to GSA made by the Forest Service, since the Forest Service is funded in the Interior and Related Agencies Appropriations Act.

This account also finances operations and maintenance activities under authorities delegated to the Department by GSA. On October 1, 1984, GSA delegated authority to USDA to operate, maintain, repair and make minor improvements to the USDA downtown D.C. building complex, which encompasses 14.1 acres of ground and five buildings containing three million square feet of space occupied by over 10,000 employees. On October 1, 1986, GSA expanded the delegation of authority to include two additional buildings. The first is the government-owned warehouse for forms in Lanham, Maryland, and the second is a leased warehouse for the excess property operation located at 49 L St., S.W., Washington, D.C.

As of September 30, 1987, there were 59 permanent full-time employees and 3 other than full-time employees assigned to the operations and maintenance activities financed by this account.

Rental Payments and Building Operations and Maintenance
Available Funds and Staff-Years

1987 Actual and Estimated 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Rental Payments to GSA.....	\$48,728,000:	- -	\$49,665,000:	- -	\$56,407,000:	- -
Building Operations:	18,283,000:	62	20,112,000:	68	22,429,000:	69
Total, Appropriation.....	67,011,000:	62	69,777,000:	68	78,836,000:	69
Obligations under other USDA Appropriations:						
Overtime utilities and miscellaneous services.....	1,685,398:	- -	1,686,000:	- -	1,065,000:	- -
Total, Rental Payments and Building Operations and Maintenance.....	\$68,696,398:	62	\$71,463,000:	68	\$79,901,000:	69
Full-Time Equivalent Staff-Years:	1987 Actual		1988 Estimated		1989 Estimated	
Ceiling.....	57		63		64	
Non-Ceiling.....	5		5		5	
Total	62		68		69	

BUILDING OPERATIONS AND MAINTENANCE
Permanent Positions by Grade and Staff-Year Summary
1987 and Estimated 1988 and 1989

	1987	1988	1989
Grade	Headquarters/Total	Headquarters/Total	Headquarters/Total
GM-15	1	1	1
14	4	4	4
13	8	9	9
GS-12	8	9	9
11	2	2	2
9	1	3	4
7	3	5	5
6	3	3	3
5	5	5	5
4	4	2	2
3	2	--	--
Ungraded positions..	18	23	23
Total Permanent Positions	59	66	67
Staff-Years			
Ceiling	57	63	64
Non-ceiling	5	5	5
TOTAL	62	68	69

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters	\$ 1,922,445	\$1,823,000	\$2,356,000
11 Total personnel compensation	1,922,445	1,823,000	2,356,000
12 Personnel benefits	243,455	408,000	425,000
13 Benefits for former personnel	602	1,000	1,000
Total Personnel Comp. and Benefits	<u>2,166,502</u>	<u>2,232,000</u>	<u>2,782,000</u>
Other Objects:			
21 Travel	6,470	4,000	4,000
22 Transportation of things ...	1,872	4,000	4,000
23.1 Standard Level User Charges.	48,728,000	46,665,000	53,407,000
23.3 Communications, utilities and other rent	1,467,605	5,414,000	6,377,000
24 Printing and reproduction ..	11,646	17,000	18,000
25 Other services	13,815,531	11,591,592	15,619,000
26 Supplies and materials	187,406	208,000	215,000
31 Equipment	252,979	3,398,000	158,000
32 Land and Structures	205,728	243,000	252,000
43 Interest and Penalty	<u>4,729</u>	<u>- -</u>	<u>- -</u>
Total other objects	<u>64,681,966</u>	<u>67,544,000</u>	<u>76,054,000</u>
Total direct obligations	<u>\$66,848,468</u>	<u>\$69,777,000</u>	<u>\$78,836,000</u>

Position Data:

Average Salary, GM/GS positions	\$26,607	\$29,333	\$30,761
Average Grade, GM/GS positions	9.5	10.0	10.0

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rental Payments (USDA)

For payment of space rental and related costs pursuant to Public Law 92-313 for programs and activities of the Department of Agriculture which are included in this Act, [~~\$49,665,000~~] \$56,407,000 of which \$3,000,000 shall be retained by the Department of Agriculture: Provided, That in the event an agency within the Department of Agriculture should require modification of space needs, the Secretary of Agriculture may transfer a share of that agency's appropriation made available by this Act to this appropriation, or may transfer a share of this appropriation to that agency's appropriation, but such transfers shall not exceed 10 per centum of the funds made available for space rental and related costs to or from this account.

Building Operations and Maintenance

For the operation, maintenance, and repair of Agriculture buildings pursuant to the delegation of authority from the Administrator of General Services authorized by 40 U.S.C. 486,
1 [~~\$20,024,000~~] \$22,429,000 [; of which \$3,245,000 is for one-time purchase of systems furniture, \$3,245,000].

This change eliminates funding for systems furniture, which was a one-time acquisition in fiscal year 1988.

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

Appropriations Act, 1988	\$69,689,000
Budget Estimate, 1989	78,836,000
Increase in Appropriation	<u>+9,147,000</u>

Adjustments in 1988:

Appropriations Act, 1988	\$69,689,000
Funds transferred from Departmental Administration for physical security function a/.....	+88,000
Adjusted Base for 1988	69,777,000
Budget Estimate, 1989	78,836,000
Increase from adjusted 1988	<u>+9,059,000</u>

a/ Of the \$133,000 provided in the Departmental Administration appropriation for building security in the Washington, D.C. complex in FY 1988, \$88,000 was transferred to this appropriation for management of security services.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1988 Estimated	Pay Cost	Net Program Changes	1989 Estimated
Rental Payments to GSA.....	\$49,665,000	- -	+\$6,742,000	\$56,407,000
Building Operations and Maintenance.....	20,112,000	+\$53,000	+2,264,000	22,429,000
Total Available.....	<u>69,777,000</u>	<u>+53,000</u>	<u>+9,006,000</u>	<u>78,836,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1987 Actual		1988 Estimated		Increase	1989 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Rental							
Payments....	\$48,728,000	- -	\$49,665,000	- -	+\$6,742,000 (1)	\$56,407,000	- -
2. Building							
Operations & Maintenance..	18,120,468	62	20,112,000	68	+2,317,000 (2)	22,429,000	69
Unobligated balance							
lapsing.....	162,532	- -	- -	- -	- -	- -	- -
Total avail- able or esti- mate.....	\$67,011,000	62	\$69,777,000	68	+\$9,059,000	\$78,836,000	69
Transfer of physical security function.....	-44,000	-2	-88,000	-3			
Total, approp- riation.....	<u>66,967,000</u>	<u>60</u>	<u>69,689,000</u>	<u>65</u>			

EXPLANATION OF PROGRAM

This appropriation provides funding for the following activities:

Rental Payments to GSA. The fiscal year 1983 Agriculture Appropriations Act (P.L. 97-370) consolidated most of the Department's rental payments paid to the General Services Administration (GSA) into a single appropriation. This activity does not provide funding to cover space costs incurred in other funding areas funding such as trust funds, the Working Capital Fund and other non-appropriated funds. The amount in this account represents only the appropriated portion of the total Departmental charges for rent payments paid to the GSA for all agencies and staff offices of the Department except the Forest Service. The fiscal year 1988 appropriation bill provided that \$3,000,000 of this appropriation should be retained by USDA for non-recurring repairs.

Building Operations and Maintenance. On October 1, 1984, GSA delegated the operations and maintenance function for the buildings in the D.C. complex to the Department. This activity provides Departmental staff and support services to operate, maintain and repair the five buildings in the D.C. complex. GSA expanded the delegation to include two additional buildings on October 1, 1986. GSA retains responsibility for major non-recurring repairs.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$6,742,000 for rental payments to GSA.

Need for Change. The increase will partially cover the rental payment rate increases as provided by GSA in selected geographic regions applied to the existing inventory of space that agencies will occupy through September 30, 1988, and net increases in space costs due to reclassification of space to a higher rate.

Nature of Change. The additional funds will partially cover GSA charges to the Department to maintain its inventory of 6.7 million square feet of space nationwide.

- (2) A net increase of \$2,317,000 for building operations and maintenance consisting of an increase of \$53,000 to annualize the pay increase from FY 1988 and a program increases of \$5,509,000 partially offset by a reduction of \$3,245,000 for the acquisition of systems furniture in FY 1988. The program increase consist of:

- (a) An increase of \$3,309,000 for contract and utility rate increases.

Need for Change. This increase will cover yearly pricing adjustments attributable to the Fair Labor Standards Act and the Service Contract Act, as well as other costs that will increase when contracts are renewed. In addition, the request includes \$434,000 required to cover new water and sewage costs and the resumption of services to the Auditors Building once renovations are complete.

Nature of Change. This increase will permit continuation of this Departmental activity.

- (b) An increase of \$2,200,000 to convert underutilized space to new office or special purpose space.

Need for Change. These funds would enable the Department to convert 175,000 square feet of underutilized space in the Headquarters Complex to office or special purpose usage. The conversion of underutilized space to office space could result in significant savings to the Government with present lease rates in Washington, D.C. ranging from \$20 to \$30 a square foot per year. Each 10,000 square feet of converted space in a Government-owned facility saves the Government \$200,000 to \$300,000 a year.

Nature of Change. The funds would enable the Department to complete construction on the attic areas and the Sixth Wing Subbasement in the South Building and to plan and design the conversion of the remaining underutilized areas.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Year</u>
Washington, D.C.....	\$66,848,468	62	\$69,777,000	68	78,836,000	69

ADVISORY COMMITTEES

Purpose Statement

The Federal Advisory Committee Act (P.L. 92-463) was passed in 1972 to recognize that committees and similar groups provide a useful and beneficial means of furnishing expert advice to officers of the Federal Government. The Assistant Secretary for Administration is the principal Department Officer responsible for performing functions and coordinating activities of the Act.

The Agriculture, Rural Development and Related Agencies Appropriations Act of 1983 consolidated all USDA advisory committee funds, except those in the Forest Service and those paid from user fees, in a separate appropriation.

ADVISORY COMMITTEES

Available Funds and Staff-Years1987 Actual and Estimated 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
USDA Advisory						
Committees.....	\$1,308,000	14	\$1,308,000	14	\$1,294,000	14
National Comm.						
on Agri. &						
Rural Devel....	100,000	--	--	--	1,000,000	--
Total, Advisory						
Committees ...	1,408,000	14	1,308,000	14	2,294,000	14

Full Time Equivalent Staff-Years:	1987 <u>Actual</u>	1988 <u>Estimated</u>	1989 <u>Estimated</u>
Ceiling.....	14	14	14
Non-Ceiling.....	--	--	--
Total.....	14	14	14

ADVISORY COMMITTEESCLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
11 Total personnel compensation	\$477,173	\$459,310	\$423,868
12 Total personnel benefits	52,770	52,676	50,710
Total Personnel Comp. & Benefits	<u>529,943</u>	<u>511,986</u>	<u>474,578</u>
Other Objects:			
21 Travel	399,046	621,834	543,104
22 Transportation	1,017	5,058	4,100
23.2 Communication, utilities and other rents	2,820	14,928	13,275
24 Printing and reproduction ...	9,735	39,559	39,643
25 Other services	227,745	193,245	1,200,347
26 Supplies and materials	6,302	13,623	12,002
31 Equipment	4,342	7,767	6,951
Total other objects	<u>651,007</u>	<u>896,014</u>	<u>1,819,422</u>
Total direct obligations	<u>\$1,180,950</u>	<u>\$1,408,000</u>	<u>\$2,294,000</u>

Position Data:

Average Salary, GM/GS positions	\$33,962	\$32,075	\$30,147
Average Grade, GM/GS positions	10.49	10.50	10.54

ADVISORY COMMITTEES

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Advisory Committees:

For necessary expenses for activities of Advisory Committees of the Department of Agriculture which are included in this Act, [~~\$1,308,000~~] \$2,294,000:
Provided, that no other funds appropriated to the Department of Agriculture in this Act shall be available to the Department of Agriculture for support of activities of Advisory Committees.

ADVISORY COMMITTEES

Appropriation Act, 1988	\$1,308,000
Budget Estimate, 1989	2,294,000
Increase in Appropriation.....	<u>+ 986,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1988 Estimated	Program Increase	1989 Estimated
USDA Advisory Committees	\$1,308,000	+\$986,000	\$2,294,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1987 Actual		1988 Estimated		Increase	1989 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Advisory Committees...	\$1,180,950	14	\$1,408,000	14	+\$986,000(1)	\$2,294,000	14
Unobligated Balance							
Lapsing....	127,050	--	--	--	--	--	--
Unobligated Balance							
Brought forward....	--	--	-100,000	--	--	--	--
Unobligated Balance							
Carried Forward.....	100,000	--	--	--	--	--	--
Total, Appropriation.....	1,408,000	14	1,308,000	14	+986,000(1)	2,294,000	14

EXPLANATION OF PROGRAM

The appropriation provides for direction and financial support of all authorized Department of Agriculture advisory committee activities other than those in the Forest Service or financed by user fees or other funds.

The Federal Advisory Committee Act (P.L. 92-463) was passed in 1972 to recognize that committees and similar groups provide a useful and beneficial means of furnishing expert advice to officers of the Federal Government. In establishing the Act, Congress declared that committees should be restricted in number to only those essential to provide the necessary expert advice in specialty areas; uniform standards and procedures should govern the establishment, operation, administration and duration of the committees; and Congress should be kept informed of the number and cost of committees.

The FY 1983 Agriculture, Rural Development and Related Agencies Appropriations Act provided a consolidated account for this purpose. Under this consolidated account, 39 committees are currently planned for fiscal year 1988. Sixteen are established by statute, and the remaining 23 are established by the Department either independently or upon the recommendation of Congress.

Each committee has a charter that is resubmitted every two years, reviewed and approved by USDA's Committee Management Officer and then filed with the staffs of the House and Senate Agriculture Committees.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$986,000, for the operation of advisory committees during fiscal year 1989. This increase consists of \$1,060,000 in start-up costs partially offset by a reduction of \$74,000 in the cost of continuing committee operations from fiscal year 1988.

Need for Change. The requested funds will finance the continued cost of establishing the National Commission on Agriculture and Rural Development (\$1,000,000) and the establishment of the Dietary Guidelines Advisory Committee (\$60,000). Funds requested for the National Commission will enable it to study, with a view toward recommending improvements in (a) the structures, procedures, and methods of formulating and administering agricultural and rural development policies and programs in the U.S., and (b) the relationship between conditions in rural America and the provision of governmental services. The Commission was authorized by the Food Security Act of 1985 and reports to the President and Congress.

Nature of Change. The work of the Commission and the Committee will be accomplished using an advisory committees organization structure and will be financed from a single appropriation.

Estimates for the Department's Advisory Committees by major policy area follow.

USDA ADVISORY COMMITTEES

Policy Area and Committee Title	1987 Actual	1988 Estimate	1989 Estimate
<u>Food and Consumer Services:</u>			
Nat'l Adv. Council on Child Nutrition.....	\$31,074	\$32,619	\$34,962
Nat'l Adv. Council on Maternal, Infant and Fetal Nutrition.....	38,497	31,453	31,039
Nat'l Adv. Council on Commodity Distribution	--	42,500	56,617
Dietary Guidelines Advisory Committee.....	--	--	60,000
Total.....	<u>69,571</u>	<u>106,572</u>	<u>182,618</u>
<u>Science and Education:</u>			
Nat'l Ag. Res. & Exten. Users Adv. Board...	133,520	204,572	215,900
Nat'l Arboretum Advisory Council.....	10,630	12,160	12,534
Human Nutrition Board of Scient. Counselors	16,732	18,098	27,334
National Plant Genetic Resources Board.....	17,043	27,400	21,738
Policy Adv. Comm. for S&E Res. Grants Prog.	13,800	19,600	20,200
Animal Health Science Research Adv. Board..	18,803	19,800	20,100
Cooperative Forestry Research Adv. Council.	24,242	30,700	31,200
Tech. Adv. Comm. for S&E Grants Program....	383,899	--	--
Committee of Nine.....	32,346	32,300	32,800
Biotechnology Recombinant Adv. Comm.....	3,248	114,500	117,700
Total.....	<u>654,263</u>	<u>479,130</u>	<u>499,506</u>
<u>Marketing and Inspection Services:</u>			
Grain Standards Act Advisory Committee.....	28,181	53,096	54,466
Nat'l Adv. Comm. of Meat & Poultry Inspec..	18,700	25,592	26,197
Nat'l Adv. Comm. on Microbiological Quality Standards for Food.....	--	--	25,000
Advisory Committees on:			
Foreign Animal and Poultry Diseases.....	22,387	28,715	25,796
Swine Health Protection.....	11,014	12,964	13,354
Instruments and Standards for Cotton....	5,793	--	--
Nat'l Adv. Comm. on Cotton Marketing.....	--	36,000	36,000
Gen. Conf. Comm. of the Nat'l. Poultry Improvement Plan.....	4,484	17,500	7,000
Plant Variety Protection Board.....	8,154	6,750	6,923
Nat'l Adv. Comm. on Animal Damage Control..	3,493	30,619	31,606
Total.....	<u>102,206</u>	<u>211,236</u>	<u>226,342</u>
<u>International Affairs and Commodity Programs:</u>			
Agricultural Policy Adv. Comm. for Trade...	12,841	14,000	14,170
Technical Adv. Comm for Trade in:			
Cotton.....	11,923	13,000	13,135
Fruits and Vegetables.....	11,923	13,000	13,135
Grain and Feed.....	12,841	14,000	14,170
Livestock and Livestock Products.....	12,841	14,000	14,170
Oilseeds and Oilseed Products.....	11,923	13,000	13,135
Poultry and Eggs.....	11,923	13,000	13,135
Tobacco.....	11,924	13,000	13,135
Dairy Products.....	11,924	13,000	13,135
Sweeteners.....	--	13,000	13,135
Agribusiness Promotion Council.....	12,841	14,000	23,700
Ag. Export Enhancement Advisory Group.....	1,376	1,500	1,553
Nat'l Adv. Panel on Ag. Futures & Options..			
Markets.....	1,420	30,200	30,800
Total.....	<u>125,700</u>	<u>178,700</u>	<u>190,508</u>
<u>Small Community and Rural Development:</u>			
Nat'l Adv. Council on Rural Development....	26,200	88,600	90,960
<u>Economics:</u>			
Nat'l Ag. Cost of Prod. Standards Rev. Bd..	27,516	30,500	31,000
Ethanol Cost Effectiveness Study.....	115,003	1,800	--
Total.....	<u>142,519</u>	<u>32,300</u>	<u>31,000</u>
<u>Departmental Administration:</u>			
Citizen's Adv. Comm. on Equal Employment...	60,491	70,861	73,066
Nat'l Commission on Agriculture and Rural Development.....	--	(100,000) ^a /1,000,000	--
New Requirements and Contingencies.....	--	140,601	--
Total, Advisory Committees.....	<u>\$1,180,950</u>	<u>\$1,308,000</u>	<u>\$2,294,000</u>

^a/ Carry over from FY 1987 funds.

HAZARDOUS WASTE MANAGEMENT

Purpose Statement

This program is designed to promote facility compliance under the requirements of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). These Acts require Federal agencies to meet the same standards for storage and disposition of hazardous wastes as private businesses. The funds provided for this program enable the Department to address problems posed by past uncontrolled hazardous waste disposal practices and to deal with the regulation of current hazardous substances.

A central fund has been established from which resources are allocated to USDA agencies according to priority of need. This approach permits the Department to correct compliance problems in a systematic manner.

HAZARDOUS WASTE MANAGEMENT

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

	:	1987	:	1988	:	1989	:
Item	:	Actual	:	Estimated	:	Estimated	:
	:	Staff:	:	Staff:	:	Staff:	:
	:	Amount	:	Years:	:	Amount	:
Total, Appropriation....	:	--	:	--	:	\$2,000,000:	--
	:		:		:	\$10,000,000:	--

HAZARDOUS WASTE MANAGEMENT

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Other Objects:			
25 Other services.....	<u>--</u>	<u>2,000,000</u>	<u>10,000,000</u>
Total other objects.....	<u>--</u>	<u>2,000,000</u>	<u>10,000,000</u>
Total direct obligations.....	<u>--</u>	<u>2,000,000</u>	<u>10,000,000</u>

HAZARDOUS WASTE MANAGEMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Hazardous Waste Management

For necessary expenses of the Department of Agriculture, except for expenses of the Commodity Credit Corporation, to comply with the requirement of section 107g of the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. 9607g and section 6001 of the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6961, [~~\$2,000,000~~] \$10,000,000, to remain available until expended: Provided, That appropriations and funds available herein to the Department of Agriculture for hazardous waste management may be transferred to any agency of the Department for its use in meeting all requirements pursuant to the above Acts on Federal and non-Federal lands.

HAZARDOUS WASTE MANAGEMENT

Appropriation Act, 1988	\$2,000,000
Budget Estimate, 1989	10,000,000
Increase in Appropriation.....	<u>+8,000,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1988 Estimated	Program Changes	1989 Estimated
Hazardous Waste Management.....	\$2,000,000	+\$8,000,000	+\$10,000,000

PROJECT STATEMENT
(On basis of appropriation)

	: 1987 Actual	:	: 1988 Estimated:	:	:	: 1989 Estimated	:	:
	: Staff:	:	: Staff:	:	:	: Staff:	:	:
Project	: Amount	: Years:	Amount	: Years:	Increase	: Amount	: Years	
Hazardous	:	:	:	:	:	:	:	:
Waste Mgmt..	--	: --	:\$2,000,000:	--	+\$8,000,000	:\$10,000,000:	--	
Total	:	:	:	:	:	:	:	:
Appropriation:	--	: --	:\$2,000,000:	--	+\$8,000,000	:\$10,000,000:	--	

EXPLANATION OF PROGRAM

This appropriation funds the Department's efforts to identify, assess, contain and clean up hazardous waste sites in areas covered by programs of the Department or within Departmental jurisdiction. These responsibilities were imposed on all Federal agencies by the Comprehensive Environmental Response, Compensation and Liability Act and the Resource Conservation and Recovery Act.

Since the Department has identified a number of hazardous waste sites requiring further action, a central fund was established in fiscal year 1988. Resources from this fund are allocated to the Department's agencies. The agencies receiving these funds in fiscal year 1988 are the Forest Service, Animal and Plant Health Inspection Service, Agricultural Research Service, and Farmers Home Administration.

JUSTIFICATION OF INCREASES AND DECREASES

An increase of \$8,000,000 to undertake hazardous waste compliance activities associated with remediation of ground or surface water contamination under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and with meeting underground storage tank requirements under the Resource Conservation and Recovery Act (RCRA).

Need for Change. The Department's program is intended to insure compliance with environmental laws. The Superfund Amendments and Reauthorization Act established specific deadlines for completing this work. A General Accounting Office report to Congress in July 1987 recognized the Department's efforts in the initial site discovery, but was critical of USDA agencies' progress in completing site assessments and remedial actions. In fiscal year 1989 the Department's program will move toward completion of site identification, expand the number of site assessments and perform clean-up or containment activities at some sites.

A Department survey has identified USDA facilities where contamination of ground and/or surface waters or releases of hazardous substances have occurred. For fiscal year 1989, the CERCLA portion of the program will be directed toward preliminary assessments and further site investigations. Since USDA has limited experience in determining the costs of pre-remedial actions, we have contacted Federal agencies with similar facilities that are further along in their programs. The estimated average cost of a preliminary assessment is \$15,000. The estimated cost to conduct a site inspection is \$50,000. If a remedial investigation/feasibility study must be undertaken the estimated cost of this step begins at about \$500,000. Therefore, we need approximately \$6 million to continue to comply with CERCLA requirements in fiscal year 1989.

The RCRA portion of the program will be directed toward compliance with underground storage tank (UST) requirements. The Department has inventoried over 2,000 UST's. A majority of these tanks are old enough to require removal and replacement. The following is a typical example of one area's situation:

Total inventory.....	124
Removal planned (number no longer needed).....	70
Retention planned (number).....	54
Planned for retrofit.....	14
Planned for replacement.....	40
Age classes of retained tanks:	
3-10 years.....	14
10-20 years.....	8
Over 20 years.....	32

The estimated cost of retrofitting tanks is from \$5,000 to \$10,000. The estimated cost of tank replacement is \$25,000. However, experience has shown that 20 percent of tanks over 20 years are leakers. Costs associated with clean up of leaking tanks and contaminated soil increase dramatically. One recent case cost \$100,000. Therefore, we need approximately \$2 million to continue to comply with RCRA requirements in fiscal year 1989.

Nature of Change. The request for fiscal year 1989 provides the primary agencies involved (the Agricultural Research Service, the Animal and Plant Health Inspection Service, the Farmers Home Administration, and the Forest Service) the capability to continue a hazardous waste program which was initiated in fiscal year 1988. For CERCLA facilities the work will involve quantifying overall program needs, and establishing priorities to provide a basis for more clearly-defined out-year budget estimates. Work will also include the design and implementation of needed remedial measures for a limited number of sites. It is anticipated that because of the specialized training and expertise that is needed to conduct these types of activities, most of the work will be handled through contracting with qualified consulting firms.

For RCRA facilities, the work will involve underground storage tank leak testing, monitoring, and tank repair or replacement as necessary. It will also provide for tank removals to help achieve the objectives of the Department's efforts to eliminate Government-owned fuel facilities.

Allocations to USDA agencies are shown below. The allocations for fiscal year 1989 are tentative and will depend on the status of fiscal year 1988 projects and on the priority of new problems.

Proposed allocation of funds for Hazardous Waste Management
(In millions of dollars)

<u>USDA Agency</u>	<u>1988 estimate</u>	<u>1989 estimate</u>
Agricultural Research Service.....	.5	3.5
Agriculture Stabilization and Conservation Service.....	--	.5
Animal and Plant Health Inspection Service	.1	.5
Farmers Home Administration.....	.1	.5
Forest Service.....	1.3	5.0
Total allocations.....	<u>2.0</u>	<u>10.0</u>

PASSENGER MOTOR VEHICLES

The 1989 Budget Estimates propose no additional or replacement passenger motor vehicles.

As of October 1, 1987, only one Department-owned automobile was operated in the District of Columbia. This car is used primarily for pickup and deliveries. Five vehicles are rented on an annual basis for use by the Secretary of Agriculture, the Deputy Secretary, the Under Secretaries, Assistant Secretaries, and other officials of the Department.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1987, are as follows:

<u>Age-Year Model</u>	Age Data		<u>Lifetime Mileage (000)</u>	Mileage Data	
	<u>Number of Vehicles</u>	<u>Percent of Total</u>		<u>Number of Vehicles</u>	<u>Percent of Total</u>
1971 Ford Custom 500	1	100	85-100	1	100

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Purpose Statement

The Office of Governmental and Public Affairs was established pursuant to Secretary's Memorandum No. 1927, dated October 5, 1977, and the authority contained in 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201).

Governmental and Public Affairs serves as the central organization to insure consistency and coordination of the Department's public information and external affairs activities, to maintain liaison with the Congress and White House on legislative matters, and to maintain liaison with State and local governments.

The three major programs are:

1. Public Affairs. Provides direction, leadership and balance in the development and delivery of useful information through all media to the public on USDA's involvement in all areas of agriculture, including: research, educational and regulatory activities; nutrition, conservation and farm programs; forestry and international agriculture. It also serves as the focal point for liaison between the Department and the public, including the many associations and companies representing America's food and fiber system, with emphasis on policy education.
2. Congressional Relations. Maintains liaison with the Congress and the White House on legislative matters of concern to the Department and exercises responsibility for the coordination of all Congressional matters except budgetary affairs of the Department.
3. Intergovernmental Affairs. Directs and coordinates all programs involving the implementation of USDA policies and procedures applicable to the Department's intra and intergovernmental relations.

The Office of Governmental and Public Affairs also provides centralized services financed through the Working Capital Fund in the areas of video and film, design and exhibits and printing. The agency is located in Washington, D.C. As of September 30, 1987, there were 149 full-time employees and 4 other than full-time employees.

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation...	\$8,386,000:	134	\$8,673,000:	131	\$8,919,000:	136
Obligations Under Other						
<u>USDA Appropriations:</u>						
Food and Agriculture						
Councils.....	40,967:	1	--	--	--	--
Consolidated Orders....	74,882:	--	--	--	--	--
Sale of Film Strips....	8,972:	--	--	--	--	--
Ag. Journalist						
Conferences.....	22,197:	--	5,000:	--	5,000:	--
Admin. Support to						
Working Capital Fund..	33,582:	2	49,000:	2	49,000:	2
Total, Reimbursements..	180,600:	3	54,000:	2	54,000:	2
<u>Working Capital Fund:</u>						
Motion Picture,						
photography and other						
visual information....	2,918,208:	18	2,943,000:	22	3,041,000:	22
Total, Working Capital						
Fund.....	2,918,208:	18	2,943,000:	22	3,041,000:	22
Total, Other USDA						
Appropriations.....	3,098,808:	21	2,997,000:	24	3,095,000:	24
Total, Agriculture						
Appropriations.....	11,484,808:	155	11,670,000:	155	12,014,000:	160
<u>Non-Federal Funds:</u>						
Sale of Photos & Slides..	8,422:	--	9,000:	--	9,000:	--
Total, Office of Govern-						
mental and Public						
Affairs.....	\$11,493,230:	155	\$11,679,000:	155	\$12,023,000:	160
Full-time Equivalent	1987		1988		1989	
Staff-Years:	<u>Actual</u>		<u>Estimated</u>		<u>Estimated</u>	
Ceiling.....	151		151		156	
Non-Ceiling.....	4		4		4	
Total.....	155		155		160	

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Permanent Positions by Grade and Staff-Year Summary
1987 and Estimated 1988 and 1989

	1987	1988	1989
GRADE	Headquarters/Total	Headquarters/Total	Headquarters/Total
ES-4	1	2	2
ES-3	3	0	0
ES-2	1	2	2
ES-1	0	1	1
GS/GM-15 ..	15	15	15
GS/GM-14 ..	32	32	35
GS/GM-13 ..	16	16	14
GS-12	7	8	12
GS-11	7	8	10
GS-10	1	1	1
GS-9	9	10	12
GS-8	8	6	6
GS-7	20	20	15
GS-6	10	12	15
GS-5	6	5	4
GS-4	5	4	2
GS-3	1	1	2
Ungraded Positions.	7	6	5
Total, Permanent Positions.	149	149	153
Staff-Years:			
Ceiling...	151	151	156
Non-Ceiling.....	4	4	4
TOTAL	155	155	160

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRSCLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
11 Total personnel compensation.	4,976,159	5,664,000	5,664,000
12 Personnel benefits.....	580,875	750,000	882,000
13 Benefits for former personnel	10,047	---	---
Total Personnel Compensation and Benefits.....	<u>5,567,081</u>	<u>6,414,000</u>	<u>6,546,000</u>
Other Objects:			
21 Travel.....	87,124	79,000	82,000
22 Transportation of things....	5,025	7,000	8,000
23.3 Communications, utilities and other rent.....	569,612	482,000	496,000
24 Printing and reproduction...	808,180	707,000	749,000
25 Other services.....	907,278	824,000	844,000
26 Supplies and materials	136,782	106,000	134,000
31 Equipment.....	80,237	54,000	60,000
Total other objects.....	<u>2,594,238</u>	<u>2,259,000</u>	<u>2,373,000</u>
Total direct obligations.....	<u>8,161,319</u>	<u>8,673,000</u>	<u>8,919,000</u>
Position Data:			
Average Salary, ES positions.....	\$69,920	\$70,341	\$72,383
Average Salary, GM/GS positions.....	\$35,104	\$37,185	\$37,941
Average Grade, GM/GS positions.....	10.33	10.53	10.64

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of Governmental and Public Affairs

[Public Affairs]

For necessary expenses to carry on services relating to the coordination of programs involving public affairs, and for the dissemination of agricultural information and the coordination of information, work and programs authorized by Congress in the Department, [\$7,700,000] \$7,940,000, including employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed \$10,000 shall be available for employment under 5 U.S.C. 3109, and not to exceed \$2,000,000 may be used for farmers' bulletins and not fewer than two hundred thirty-two thousand two hundred and fifty copies for the use of the Senate and House of Representatives of part 2 of the annual report of the Secretary (known as the Yearbook of Agriculture) as authorized by 44 U.S.C. 1301: Provided, that in the preparation of motion pictures or exhibits by the Department, this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

[Congressional Relations]

For necessary expenses for liaison with the Congress on legislative matters, [\$497,000] \$500,000.

[Intergovernmental Affairs]

For necessary expenses for programs involving intergovernmental affairs, and liaison within the executive branch, [\$476,000] \$479,000.

This change merges amounts appropriated to three separate accounts into a single appropriation. The Fiscal Year 1988 Continuing Resolution, P.L. 100-202, established separate appropriation accounts for the Office of Governmental and Public Affairs.

The FY 1989 Budget proposes to reestablish a single appropriation for these activities, but to identify the allotment for each individual activity as a line item within the Office.

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Appropriation Act, 1988	\$8,673,000
Budget Estimate, 1989	\$8,919,000
Increase in Appropriation	<u>+246,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

Item of Change	1988 estimated	Pay Cost	Program Increase	1989 Estimated
Public Affairs.....	\$7,700,000	+\$126,000	+\$114,000	\$7,940,000
Congressional Relations....	497,000	+3,000	--	500,000
Intergovernmental Affairs..	476,000	+3,000	--	479,000
Total Available.....	<u>\$8,673,000</u>	<u>+\$132,000</u>	<u>+\$114,000</u>	<u>\$8,919,000</u>

PROJECT STATEMENT

(On basis of appropriation)

Project	1987 Actual		1988 Estimated		Increase	1989 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Public Affairs.....	\$7,267,108	116	\$7,700,000	113	+\$240,000	\$7,940,000	118
Congressional Relations...	460,117	10	497,000	10	+3,000	500,000	10
Intergovernmental Affairs.....	434,094	8	476,000	8	+3,000	479,000	8
Unobligated balance.....	224,681	--	--	--	--	--	--
Total available or estimate....	\$8,386,000	134	\$8,673,000	131	+\$246,000	\$8,919,000	136

EXPLANATION OF PROGRAM

The appropriation for the Office of Governmental and Public Affairs funds the activities established pursuant to Secretary's Memorandum No. 1927, dated October 5, 1977, and the authority contained in 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201). The activities carried out are as follows:

-- Public Affairs - This activity provides direction, leadership and balance in the development and delivery of useful information through all media to the public on all USDA programs.

-- Congressional Relations - Maintains liaison with the Congress and the White House on legislative matters of concern to the Department and exercises responsibility for the coordination of all Congressional matters except Congressional appropriations.

-- Intergovernmental Affairs - Directs and coordinates programs involving the implementation of USDA policies and procedures applicable to the Department's intergovernmental affairs and relations with other Departments.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$246,000 consisting of:

- (a) An increase of \$132,000 for the annualization of pay that was absorbed in fiscal year 1988 that is necessary to carry out the programs in fiscal year 1989.
- (b) An increase of \$114,000 for expanding current programs and services to the public.

Need for Change. The increase is needed to expand several on-going projects in an effort to provide the public with more and better information about USDA programs.

Nature of Change. The increase will provide for: (a) Development of new television programming for delivery by satellite on fast-breaking agricultural stories of interest to farm broadcasters around the country (\$50,000); (b) Development of an on-going series of educational videos on food and agriculture for use by commercial television stations, schools, civic organizations and other public groups (\$20,000); (c) Purchase of equipment and establishment of a computer data base in the Visitor Information Center to provide the public and press with points of contact within USDA for answering questions on a wide variety of topics (\$15,000); (d) Purchase of laser disc equipment to expand an on-going project with the National Agricultural Library to preserve USDA's extensive photo library and increase photo availability to news media, libraries and some universities (\$29,000).

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1987 and Estimated 1988 and 1989

	1987		1988		1989	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Washington, D.C.	\$8,161,319	134	\$8,673,000	131	\$8,919,000	136

OFFICE OF THE INSPECTOR GENERAL

Purpose Statement

Pursuant to the Inspector General Act of 1978 (5 U.S.C. app. 3), the Office of the Inspector General:

- (1) provides policy direction and conducts, supervises and coordinates all audits and investigations;
- (2) reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations, and the prevention and detection of fraud and abuse in such programs;
- (3) recommends policies for and conducts, supervises or coordinates other activities in the Department and whose purposes are to promote economy and efficiency or prevent and detect fraud and abuse;
- (4) recommends policies for and conducts, supervises or coordinates relationships between the Department and other Federal, State and local government agencies concerning:
(a) promoting economy and efficiency; (b) preventing and detecting fraud and abuse; and (c) identifying and prosecuting people involved in fraud or abuse; and
- (5) keeps the Secretary and the Congress fully and currently informed about fraud, other serious problems, abuses and deficiencies in Department programs and operations, recommends corrective action, and reports on the progress made in correcting the problem.

The Office of the Inspector General is headquartered in Washington, D.C., and has regional offices in the following cities: New York, New York; Hyattsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and San Francisco, California. As of September 30, 1987, total employment was 826 including 810 full-time and 16 other employees. There were 212 employees located in Headquarters and 614 located in the field.

OFFICE OF THE INSPECTOR GENERAL

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987 Actual		1988		1989	
	Estimated		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Office of the Inspector General	\$45,416,000	851	\$48,795,000	848	\$51,442,000	880
Obligations under other USDA appropriations:						
FNS contracts	545,237	--	130,000	--	--	--
Security program ...	800,000	--	--	--		
Total, other USDA Appropriations .	1,345,237	--	130,000	--	51,442,000	--
Total, Agriculture Appropriations ..	46,761,237	851	48,925,000	848	51,442,000	880
Other Federal Funds:						
Dept. of State	7,321	--	17,588	--	--	--
U.S. Information Ag.	--	--	24,500	--	--	--
Total Other Federal Funds	7,321	--	42,000	--	--	--
TOTAL, OIG	46,768,558	851	48,967,000	848	51,442,000	880

Full-time Equivalent Staff-Years:	1987 <u>Actual</u>	1988 <u>Estimated</u>	1989 <u>Estimated</u>
Ceiling	818	818	850
Non-ceiling	33	30	30
Total	<u>851</u>	<u>848</u>	<u>880</u>

OFFICE OF THE INSPECTOR GENERAL

Permanent Positions by Grade and Staff-Year Summary
FY 1987 and Estimated FY 1988 and 1989

Grade	1987			1988			1989		
	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :
Executive Level IV	1	--	1	1	--	1	1	--	1
ES 4	4	--	4	4	--	4	4	--	4
ES 2	3	--	3	3	--	3	3	--	3
GS/GM 15	12	14	26	12	14	26	12	14	26
GS/GM 14	25	27	52	25	27	52	25	27	52
GS/GM 13	57	97	154	57	97	154	57	97	154
GS 12	29	207	236	29	195	224	29	201	230
GS-11	13	57	70	13	57	70	13	63	76
GS-9	11	55	66	11	55	66	11	55	66
GS-8	6	--	6	6	--	6	6	--	6
GS-7	21	58	79	21	58	79	21	68	89
GS-6	6	18	24	6	18	24	6	18	24
GS-5	11	33	44	11	33	44	11	43	54
GS-4	5	35	40	5	35	40	5	35	40
GS-3	5	--	5	5	--	5	5	--	5
Total Permanent Positions:	209	601	810	209	589	798	209	621	830
Staff-Years:									
Ceiling	153	666	818	207	611	818	207	643	850
Non-ceiling	3	30	33	2	28	30	2	28	30
Total	156	696	851	209	639	848	209	671	880

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

Personnel Compensation:	<u>1987</u>	<u>1988</u>	<u>1989</u>
Headquarters	\$6,673,341	\$7,283,000	\$7,501,000
Field	21,948,615	21,891,000	24,389,000
11 Total Personnel Compensation	28,621,956	29,174,000	31,242,000
12 Personnel Benefits	4,963,334	6,036,000	6,615,000
13 Former Personnel	9,841	44,000	44,000
Total Personnel Compensation			
Benefits	33,595,131	35,254,000	37,901,000
Other Objects:			
21 Travel	4,471,128	5,400,00	5,400,000
22 Transportation of Things	182,741	243,000	243,000
23.2 Rental payments to others ...	90,603	95,000	95,000
23.3 Communications, utilities			
and misc. charges	1,667,064	2,309,000	2,309,000
24 Printing and reproduction ...	78,122	158,000	158,000
25 Other services	3,400,690	3,716,000	3,716,000
26 Supplies and materials	536,253	650,000	650,000
31 Equipment	1,048,848	970,000	970,000
42 Insurance and Indemnities....	4,383	--	--
43 Interest & Dividends	1,725	--	--
Total other objects	11,481,557	13,541,000	13,541,000
Total direct obligations	45,076,688	48,795,000	51,442,000
Position Data:			
Average Salary, ES positions	\$70,914	\$70,914	\$70,914
Average Salary, GM/GS positions ...	\$34,973	\$36,202	\$38,097
Average Grade, GM/GS positions	10.54	10.52	10.42

OFFICE OF THE INSPECTOR GENERAL

Appropriation Act, 1988	\$48,795,000
Budget Estimate, 1989	51,442,000
Increase in Appropriation	<u>+2,647,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Audit and Investigations	\$48,795,000	\$746,000	+\$1,901,000	\$51,442,000

PROJECT STATEMENT
(on basis of adjusted appropriation)

Project	1987 Actual Amount	Staff: Years	1988 Estimated Amount	Staff: Years	Increase	1989 Estimated Amount	Staff: Years
Audit and Investigations.....	\$45,075,688	851	\$48,795,000	848	+2,647,000	\$51,442,000	880
Unobligated	339,312	--	--	--	--	--	--
Total Adjusted appropriation.	45,416,000	851	48,795,000	848	+2,647,000	51,442,000	880
Transfer to other account for Physical Security Function	67,000	--					
Total Approp.	45,483,000	851					

EXPLANATION OF PROGRAM

This appropriation funds the activities authorized by the Inspector General Act of 1978 (Public Law 95-452) enacted October 12, 1978. This Act expanded and provided specific authorities for the activities of the Office of the Inspector General which had previously been carried out under the general authorities of the Secretary of Agriculture. The Inspector General:

- conducts and supervises audits and investigations relating to programs and operations of the Department of Agriculture;
- provides leadership and coordination and recommends policies for activities designed (a) to promote economy, efficiency, and effectiveness, and (b) to prevent and detect fraud and abuse in programs and operations of the Department; and
- keeps the Secretary and the Congress fully informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

OFFICE OF THE INSPECTOR GENERAL

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Inspector General

For necessary expenses of the Office of the Inspector General, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), [~~\$48,795,000~~] \$51,442,000, including such sums as may be necessary for contracting and other arrangements with public agencies and private persons pursuant to section 6(a)(8) of the Inspector General Act of 1978 (Public Law 95-452), and including a sum not to exceed \$50,000 for employment under 5 U.S.C. 3109; and including a sum not to exceed \$95,000 for certain confidential operational expenses including the payment of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95-452 and section 1337 of Public Law 97-98.

Pursuant to the Agriculture and Food Act of 1981, the Inspector General has authority to designate special agents to carry firearms while engaged in official duties under the Inspector General Act of 1978 such as: making arrests; executing warrants for arrests; searching of premises; and seizure of evidence while conducting investigations of suspected or alleged felony criminal violations involving USDA programs.

The following table shows the audits and investigations and the staff-years planned for each area for Fiscal Year 1988.

<u>Area</u>	<u>Audits/ Cases</u>	<u>Staff-Years of Effort</u>
Audit	800	508
Investigations	<u>1,602</u>	<u>340</u>
Total	<u>2,402</u>	<u>848</u>

GAO Reports

None.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of \$2,647,000 consisting of:

- (a) An increase of \$746,000 for annualization of pay costs absorbed in Fiscal Year 1988.
- (b) An increase of \$1,901,000 to fund 32 additional staff years.

Need for Change. This increase would allow OIG to fully fund 850 staff years. This staffing level is essential to perform the audit and investigative work required by the Inspector General Act of 1978. We would anticipate increasing our audits and investigations by approximately 100.

Nature for Change. USDA's many diversified programs cost the taxpayer about \$50 billion a year to provide assistance to farmers, plentiful food supplies to consumers, and assistance to the needy. OIG is responsible for monitoring and reporting to USDA management, OMB, and the Congress on the implementation and operation of these many varied and complex programs.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1987 and Estimated 1988 and 1989

<u>Locations</u>	<u>FY 1987</u>		<u>FY 1988</u>		<u>FY 1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
California	\$4,616,120	96	\$4,997,000	95	\$5,268,000	99
District of Columbia	10,529,500	157	11,400,000	157	11,867,000	157
Georgia	6,815,735	126	7,378,000	120	7,778,000	125
Illinois	4,817,864	101	5,211,000	100	5,494,000	104
Maryland	3,976,564	91	5,096,000	111	5,371,000	114
Missouri	7,131,619	133	7,724,000	139	8,138,000	144
New York	2,306,990	51	1,700,000	35	1,955,000	40
Texas	4,882,296	965	5,289,000	90	5,571,000	97
Total Available or Estimate	45,076,688	851	48,795,000	848	51,442,000	880

OFFICE OF THE GENERAL COUNSEL

Purpose Statement

The Office of the General Counsel, which, prior to 1955, was known as the Office of the Solicitor, was established in 1910 (70 Stat. 742) as the law office of the Department of Agriculture.

The Office provides all essential and necessary legal advice and services for the Department's ongoing programs. The headquarters legal staff is divided into four sections: (1) Regulatory and Marketing; (2) International Affairs, Commodity Programs and Food Assistance Programs; (3) Community Development and Natural Resources; and (4) Legislation, Litigation, Research and Operations.

Geographic Location. The work of this office is carried out in Washington, D.C., and at twenty-two field offices at the following locations:

Albuquerque, New Mexico	Little Rock, Arkansas
Atlanta, Georgia	Milwaukee, Wisconsin
Chicago, Illinois	Missoula, Montana
Columbus, Ohio	Montgomery, Alabama
Denver, Colorado	Ogden, Utah
Harrisburg, Pennsylvania	Portland, Oregon
Hato Rey, Puerto Rico	Raleigh, North Carolina
Jackson, Mississippi	Richmond, Virginia
Juneau, Alaska	San Francisco, California
Kansas City, Missouri	Stillwater, Oklahoma
Lincoln, Nebraska	Temple, Texas

As of September 30, 1987, the office had 337 employees of which 323 were permanent full-time employees and 14 were other employees. There were 148 permanent full-time employees and 5 other employees located in Washington, D.C., and 175 permanent full-time employees and 9 other employees in the field.

OFFICE OF THE GENERAL COUNSEL

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Office of the General Counsel	\$17,670,000:	325	\$18,734,000:	362	\$23,064,000:	363
Obligations under other						
USDA appropriations:						
APHIS-Animal Damage						
Control Program	32,357:	1	--	--	--	--
FSIS	37,442:	1	--	--	--	--
FS-Land Manage-						
Planning	142,500:	1	--	--	--	--
FS-Timber Sales	--	--	60,000:	1	--	--
Total, Other USDA						
Appropriations ...	212,299:	3	60,000:	1	--	--
Total, Agriculture						
Appropriations	17,882,299:	328	18,794,000:	363	23,064,000:	363
Total, Office of the						
General Counsel	17,882,299:	328	18,794,000:	363	23,064,000:	363

Full-time Equivalent Staff-Years:	1987 Actual	1988 Estimated	1989 Estimated
Ceiling	327	360	360
Non-Ceiling	1	3	3
Total	328	363	363

OFFICE OF THE GENERAL COUNSEL

Permanent Positions by Grade and Staff-Year Summary
1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Executive Level IV	1	--	1	1	--	1	1	--	1
ES-6	1	--	1	1	--	1	1	--	1
ES-5	3	--	3	3	--	3	3	--	3
ES-4	4	--	4	4	--	4	4	--	4
ES-3	4	--	4	4	--	4	4	--	4
ES-2	1	--	1	1	--	1	1	--	1
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	18	12	30	18	11	29	18	11	29
GS/GM-14	48	53	101	48	56	104	48	56	104
GS-13	17	19	36	16	19	35	16	19	35
GS-12	17	9	26	18	10	28	18	10	28
GS-11	10	10	20	16	14	30	16	14	30
GS-9	2	4	6	2	5	7	2	5	7
GS-8	5	3	8	5	4	9	5	4	9
GS-7	14	19	33	15	20	35	15	20	35
GS-6	6	17	23	10	21	31	10	21	31
GS-5	2	25	27	9	26	35	9	26	35
GS-4	4	15	19	8	16	24	8	16	24
GS-3	2	1	3	2	1	3	2	1	3
Total Permanent Positions	160	187	347	182	203	385	182	203	385
Staff-Years Ceiling	151	176	327	170	190	360	170	190	360
Non-Ceiling	--	1	1	1	2	3	1	2	3
TOTAL	151	177	328	171	192	363	171	192	363

OFFICE OF THE GENERAL COUNSEL

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters	\$7,098,135	\$7,402,000	\$7,581,000
Field	<u>6,137,731</u>	<u>6,413,000</u>	<u>6,524,000</u>
11 Total Personnel Compensation	13,235,866	13,815,000	14,105,000
12 Personnel Benefits	1,706,927	2,771,000	2,806,000
13 Benefits for former personnel	4,480	11,000	11,000
Total Pers. Comp. & Benefits	<u>14,947,273</u>	<u>16,597,000</u>	<u>16,922,000</u>
Other Objects:			
21 Travel	233,020	297,000	327,000
22 Transportation of things	6,020	22,000	22,000
23.2 Communications, utilities and other rent	802,633	938,000	1,683,000
24 Printing and reproduction ...	30,057	40,000	40,000
25 Other services	706,634	292,000	1,011,000
26 Supplies and materials	477,437	438,000	518,000
31 Equipment	402,641	110,000	2,541,000
43 Interest Penalty	<u>299</u>	<u>- -</u>	<u>- -</u>
Total Other Objects	<u>2,658,741</u>	<u>2,137,000</u>	<u>6,142,000</u>
Total Direct Obligations	<u>17,606,014</u>	<u>18,734,000</u>	<u>23,064,000</u>

Position Data:

Average Salary, ES positions	\$72,279	\$72,279	\$72,279
Average Salary, GM/GS positions	\$35,585	\$35,692	\$35,692
Average Grade, GM/GS positions	10.76	10.43	10.43

OFFICE OF THE GENERAL COUNSEL

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in bracket):

Office of the General Counsel:

For necessary expenses of the Office of the General Counsel, [\$18,734,000]
\$23,064.000.

OFFICE OF THE GENERAL COUNSEL

Appropriation Act, 1988	\$18,734,000
Budget Estimate, 1989	<u>23,064,000</u>
Increase in Appropriation	<u>+4,330,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Change</u>	<u>1989 Estimated</u>
Legal Services	<u>\$18,734,000</u>	<u>+\$360,000</u>	<u>+\$3,970,000</u>	<u>\$23,064,000</u>

PROJECT STATEMENT
(on basis of appropriation)

	: 1987 Actual	: 1988 Estimated	:	: 1989 Estimated
	: Staff:	: Staff:	:	: Staff:
Project	: Amount	: Years:	: Amount	: Years: Increase
Legal Services	: \$17,606,014:	: 325	: \$18,734,000:	: 362 :+\$4,330,000(1):
Unobligated	: :	: :	: :	: :
balance	: 63,986: - -	: - -	: - -	: - -
Total available	: :	: :	: :	: :
or estimate ...	: 17,670,000:	: 325	: 18,734,000:	: 362 : +4,330,000 : 23,064,000:

EXPLANATION OF PROGRAM

The General Counsel is the chief law officer of the Department and is responsible for providing legal services for all programs, operations, and activities of the Department. The General Counsel is assisted by a Deputy General Counsel and four Associate General Counsels, each of whom is responsible for a portion of the legal work of the Department. The functions of this Office are performed in the Washington office and in 22 field offices. The Law Library was transferred from the National Agricultural Library in 1982.

The field offices handle legal work relating to the activities of the Agricultural Stabilization and Conservation Service, Commodity Credit Corporation, Farmers Home Administration, Federal Crop Insurance Corporation, Forest Service, Soil Conservation Service, and the Food and Nutrition Service. By delegation of the General Counsel, legal work relating to other programs and activities of the Department may be handled by a field office.

Legal Advice. The Office of the General Counsel issues both formal and informal opinions on legal questions arising in the administration of the Department's programs; prepares or reviews administrative rules and regulations applicable to the public; drafts proposed legislation; prepares or interprets contracts, mortgages, leases, deeds, and similar documents; prepares patent applications arising out of inventions by Department employees; and considers and determines claims by and against the United States arising out of the Department's activities.

Administrative Proceedings. The Department is represented by the General Counsel in administrative proceedings for the promulgation of rules having the force and effect of law and in quasi-judicial hearings held in connection with the administration of various USDA programs.

Civil Litigation. Civil litigation arising out of the Department's work is handled by the Department of Justice, with the Office of the General Counsel assisting in the preparation and trial of such cases. The General Counsel represents the Secretary in administrative proceedings before the Interstate Commerce Commission involving freight rates on farm commodities and in appeals from the decisions of the Commission to the courts. By delegation, the Associate General Counsel for Legislation, Litigation, Research and Operations represents the Department in certain classes of cases before the United States Courts of Appeals.

Criminal Litigation. Criminal cases are reviewed for the purpose of referring them to the Department of Justice.

JUSTIFICATION OF INCREASES

(1) An increase of \$4,330,000 for legal services consisting of:

(a) An increase of \$3,970,000 for office automation.

Need for Change. Unlike most USDA agencies, most General Counsels' offices in other departments and most divisions of the Department of Justice, the USDA Office of the General Counsel does not presently have a comprehensive office-wide automation system. The office does have stand-alone IBM Displaywriters as its primary word processing equipment. While these machines are an improvement over typewriters, they do not provide any meaningful automation capability in areas other than simple preparation of documents. More important, these machines are now obsolete. IBM has ceased manufacturing and marketing the Displaywriters, and the machines will become increasingly difficult and expensive to repair and maintain. Accordingly, OGC has no option other than to plan for an alternative to the Displaywriters. In order to plan for this unavoidable changeover, the General Counsel appointed, in April of 1987, a Task Force to comprehensively study the issue and made recommendations to him. Those recommendations are incorporated into this budget request.

The system as proposed in the budget will provide faster word processing, electronic sharing of documents and records, access to computerized legal research, and telecommunications among our offices, clients and outside agencies such as the Department of Justice. By improving how the office works, productivity can be increased within the authorized staffing level.

Nature of Change. The recommendations of the automated systems review committee, incorporated into this budget request, are that OGC acquire a comprehensive office automation system of IBM PC compatible personal computers available to each employee in Washington and in the twenty-two OGC field offices. These personal computers will be linked together in Washington through the Department's existing local area network and through local area networks to be acquired for each field office. The OGC office automation system will also consist of a minicomputer, located in Washington, but accessible by all OGC employees, which would contain OGC wide records and an archive of significant OGC documents. In addition, a shared record and document storage facility (file server) will be maintained in each division or field office by using a separate and more powerful personal computer.

The fiscal year 1989 budget request associated with providing OGC with a comprehensive office automation system is almost \$4 million. However, two-thirds, or \$2.6 million of the requested increase is a one-time, one-year cost for the purchase and installation of equipment. The remaining \$1.4 million represents a permanent increase to operate and maintain the system.

The office automation system will be designed to be utilized by every employee in OGC. It will allow electronic sharing of documents and access to records among all divisions and offices in OGC, subject to appropriate limitations such as not being able to edit documents that have already been issued. It will also allow such exchanges between OGC, client agencies, Department offices and outside entities, such as the Department of Justice or individual United States Attorney's office. Further, it will allow each attorney access to computerized legal research such as WestLaw and Lexis. Presently, this is only available in the Law Library at headquarters. An office automation system which facilitates free exchange of communications and access to shared documents will allow OGC to act as a unified national law office rather than an aggregation of separate offices.

By utilizing widely available hardware and software that, to the extent possible, has acquired "industry standard" status OGC can minimize compatibility problems and reduce the burden of the conversion process. This system will have the potential to continually evolve to meet the changing needs and requirements of OGC. Both the system as a whole and many of the individual hardware and software components can be upgraded as changing technology and availability of resources dictate.

This budget proposes to complete the entire office automation system by the end of fiscal year 1989. This will be accomplished in a staged implementation process as funds and administrative constraints allow.

Automation can lead OGC to higher levels of professionalism and productivity. Increasing interchange of work product and compilation of standardized record keeping systems on the minicomputer will result in a substantial savings in attorney time and an increased ability to justify requests for and allocation of resources both on the part of OGC as a whole and individual divisions and offices.

- (b) An increase of \$360,000 to annualize 1988 pay costs.

Office of the General Counsel
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Alabama.....	\$154,233	4	\$166,000	4	\$170,000	4
Alaska.....	100,098	2	108,000	2	110,000	2
Arkansas.....	540,327	13	581,000	14	594,000	14
California.....	755,845	15	814,000	17	832,000	17
Colorado.....	550,541	13	592,000	13	605,000	13
District of Columbia...	10,069,392	148	10,623,000	170	14,773,000	171
Georgia.....	999,962	27	1,077,000	27	1,101,000	27
Illinois.....	367,708	9	396,000	11	405,000	11
Kansas	563,819	13	607,000	17	620,000	17
Mississippi.....	140,958	4	152,000	4	155,000	4
Montana.....	306,424	8	329,000	8	336,000	8
Nebraska.....	96,013	2	103,000	2	105,000	2
New Mexico.....	216,539	4	233,000	5	238,000	5
North Carolina.....	152,190	4	164,000	4	168,000	4
Ohio.....	87,841	2	95,000	2	97,000	2
Oklahoma.....	142,998	3	154,000	4	157,000	4
Oregon.....	483,128	11	520,000	12	532,000	12
Pennsylvania.....	541,348	13	582,000	14	595,000	14
Puerto Rico.....	158,319	4	170,000	4	174,000	4
Texas.....	505,599	11	545,000	12	557,000	12
Utah.....	199,175	4	214,000	4	219,000	4
Virginia.....	150,148	4	161,000	4	165,000	4
Wisconsin.....	323,409	7	348,000	8	356,000	8
Total, Available or Estimate.....	17,606,014	325	18,734,000	362	23,064,000	363

AGRICULTURAL RESEARCH SERVICE

Purpose Statement

Agricultural Research Service was established on November 2, 1953, pursuant to authority vested in the Secretary of Agriculture by 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953, and other authorities.

The research performed by the Agricultural Research Service (ARS) is authorized by the Department of Agriculture Organic Act of 1862 (7 U.S.C. 2201, 2204), the Research and Marketing Act of 1946, as amended (7 U.S.C. 427, 1621) the Food and Agriculture Act of 1977, as amended (7 U.S.C. 1281 note), and the Food Security Act of 1985 (7 U.S.C. 3101 note).

Agricultural Research Service is responsible for conducting mission-oriented research on:

- Soil and Water Conservation
- Plant Sciences
- Animal Sciences
- Commodity Conversion and Delivery
- Human Nutrition
- Integration of Agricultural Systems

The research applies to a wide range of goals; commodities; natural resources; fields of science; and geographic, climatic and environmental conditions.

As the U.S. Department of Agriculture's in-house agricultural research agency, ARS has major responsibilities for conducting and leading the national agricultural research effort. ARS provides initiative and leadership in five areas:

- * Research on broad regional and national problems.
- * Research to support Federal action and regulatory agencies.
- * Expertise to meet national emergencies.
- * Research support for international programs.
- * Scientific resource to the Executive Branch and Congress.

The mission of ARS research is to develop new knowledge and technology which will insure an abundance of high quality agricultural commodities and products at reasonable prices to meet the increasing needs of an expanding economy and to provide for the continued improvement in the standard of living of all Americans. This mission focuses on the development of technical information and technical products which bear directly on the needs to (1) manage and use the Nation's soil, water, air, and climatic resources, and improve the Nation's environment; (2) provide an adequate supply of agricultural products by practices that will maintain a permanent and effective agriculture; (3) improve the nutrition and well-being of the American people; (4) improve living in rural America; and (5) strengthen the Nation's balance of payments.

Research is conducted at numerous field locations in the States, District of Columbia, Puerto Rico, the Virgin Islands, and in several foreign countries. Much of the work is conducted in direct cooperation with the State agricultural experiment stations, other State and Federal agencies, and private organizations.

Central offices of ARS are in the Washington, D.C. Metropolitan Area. The field activities are managed on a national basis through 8 Area Offices. Activities are carried out at 128 separate field locations. As of September 30, 1987, there were 7,041 full-time employees and 1,451 other than full-time employees. Of the total, 477 full-time employees and 30 other than full-time employees worked in the headquarters office.

AGRICULTURAL RESEARCH SERVICE

Available Funds and Staff-YearsActual 1987, and Estimated 1988 and 1989

Item	1987 Actual Amount	Staff- Years	1988 Estimated Amount	Staff- Years	1989 Estimated Amount	Staff- Years
Direct Appropriation..						
Agricultural						
Research Service....	\$518,237,000	8,115	\$540,684,000	8,119	\$560,957,000	8,119
Buildings and						
Facilities.....	1,000,000	- -	57,815,000	- -	11,000,000	- -
Total, Direct						
Appropriation.....	519,237,000	8,115	598,499,000	8,119	571,957,000	8,119
Deduct Allotments to						
Other Agencies:						
Forest Service.....	-365,363	- -	-369,000	- -	-369,000	- -
Net.....	518,871,637	8,115	598,130,000	8,119	571,588,000	8,119
Obligations from other:						
USDA Appropriations:						
Agricultural						
Marketing Service...	218,554	- -	225,000	- -	225,000	- -
Animal and Plant						
Health Inspection						
Service.....	6,807,231	97	6,850,000	97	6,850,000	97
Federal Grain						
Inspection Service	495,079	- -	500,000	- -	500,000	- -
National Agricultural						
Library.....	436,478	- -	450,000	- -	450,000	- -
Forest Service.....	172,040	1	200,000	1	200,000	1
Food Safety and						
Inspection Service..	1,447,287	- -	1,450,000	- -	1,450,000	- -
Human Nutrition						
Information Service..	121,341	- -	125,000	- -	125,000	- -
Office of Interna-						
tional Cooperation						
and Development.....	611,067	4	625,000	4	625,000	4
Soil Conservation						
Service.....	216,425	2	225,000	2	225,000	2
Cooperative State						
Research Service....	137,504	- -	150,000	- -	150,000	- -
Miscellaneous						
Reimbursements.....	94,253	1	225,000	1	225,000	1
Total, Other USDA						
Funds.....	10,757,259	105	11,025,000	105	11,025,000	105
Total, Agriculture						
Appropriations.....	529,628,896	8,220	609,155,000	8,224	582,613,000	8,224

Available Funds and Staff-Years

Actual 1987, and Estimated 1988 and 1989

Item	1987 Actual		1988 Estimated		1989 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Other Federal Funds:						
Department of Defense:	623,110:	6:	650,000:	6:	650,000:	6
Department of Energy..	478,306:	1:	500,000:	1:	500,000:	1
Department of Health..						
and Human Services...	3,171,701:	6:	3,200,000:	6:	3,200,000:	6
Department of						
Interior.....	311,898:	2:	325,000:	2:	325,000:	2
Department of						
Commerce.....	32,784:	1:	50,000:	1:	50,000:	1
Environmental						
Protection Agency...	666,075:	2:	700,000:	2:	700,000:	2
Miscellaneous						
Reimbursement.....	193,642:	- -	200,000:	- -	200,000:	- -
Total, Other Federal						
Funds.....	5,477,516:	18:	5,625,000:	18:	5,625,000:	18
Non-Federal Funds:						
State of California..	325,336:	5:	350,000:	5:	350,000:	5
Binational Agri-						
culture Research						
& Development						
Agreement (BARD)...	672,510:	6:	700,000:	6:	700,000:	6
Quarters and						
Subsistence.....	185,312:	- -	200,000:	- -	200,000:	- -
Miscellaneous						
Reimbursement.....	2,056,749:	4:	2,100,000:	4:	2,100,000:	4
Miscellaneous						
Contributed Funds...	2,878,264:	27:	5,000,000:	40:	5,000,000:	40
Total, Non-Federal						
Funds.....	6,118,171:	42:	8,350,000:	55:	8,350,000:	55
Total, Agricultural						
Research Service....	541,224,583:	8,280:	623,130,000:	8,297:	596,588,000:	8,297
Full-Time Equivalent	1987		1988		1989	
Staff-Years:	<u>Actual</u>		<u>Estimated</u>		<u>Estimated</u>	
Ceiling.....	8,130		8,147		8,147	
Non-Ceiling.....	150		150		150	
Total.....	<u>8,280</u>		<u>8,297</u>		<u>8,297</u>	

AGRICULTURAL RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1987 Actual and Estimated 1988 and 1989

Grade	1987 Actual			1988 Estimate			1989 Estimate		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-5	5	3	8	5	3	8	5	3	8
ES-4	2	20	22	2	20	22	2	20	22
ES-2	--	2	2	--	2	2	--	2	2
ES-1	--	1	1	--	1	1	--	1	1
GS-18	--	1	1	--	1	1	--	1	1
GS-17	1	--	1	1	--	1	1	--	1
GS-16	3	2	5	3	2	5	3	2	5
GS/GM-15	36	321	357	36	321	357	36	321	357
GS/GM-14	29	563	592	29	563	592	29	563	592
GS/GM-13	88	767	855	88	767	855	88	767	855
GS-12	78	714	792	78	714	792	78	714	792
GS-11	22	435	457	22	435	457	22	435	457
GS-10	--	15	15	--	15	15	--	15	15
GS-9	16	675	691	16	675	691	16	675	691
GS-8	6	258	264	6	258	264	6	258	264
GS-7	46	651	697	46	651	697	46	651	697
GS-6	63	455	518	63	455	518	63	455	518
GS-5	36	620	656	36	625	661	36	625	661
GS-4	27	265	292	27	270	297	27	270	297
GS-3	10	58	68	10	66	76	10	66	76
GS-2	3	7	10	3	7	10	3	7	10
GS-1	--	--	--	--	--	--	--	--	--

AGRICULTURAL RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1987 Actual and Estimated 1988 and 1989

Grade	1987 Actual			1988 Estimate			1989 Estimate		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Positions at rates established by Act June 20, 1958 (U.S.C. 3104)	--	17	17	--	17	17	--	17	17
Grades established under Foreign National Pay Plan	--	30	30	--	30	30	--	30	30
Ungraded Positions	6	698	704	6	698	704	6	698	704
Total Permanent Positions.....	478	6,578	7,056	478	6,596	7,074	478	6,596	7,074
Staff-Years:									
Ceiling.....	513	7,617	8,130	559	7,588	8,147	559	7,588	8,147
Non-Ceiling.....	10	140	150	10	140	150	10	140	150
TOTAL	523	7,757	8,280	569	7,728	8,297	569	7,728	8,297

AGRICULTURAL RESEARCH SERVICE

CLASSIFICATION BY OBJECTS

1987 and Estimated 1988 and 1989

	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>1989 Estimated</u>
Personnel Compensation:			
Headquarters.....	\$ 17,505,200	\$ 18,221,000	\$ 18,500,000
Field.....	<u>227,976,833</u>	<u>237,295,000</u>	<u>240,936,000</u>
11 Total Personnel Compensation.....	245,482,033	255,516,000	259,436,000
12.0 Personnel Benefits.....	36,121,516	49,561,000	50,591,000
13. Benefits for former employee....	380,611	- -	- -
Total Pers. Comp. & Benefits.....	<u>281,984,160</u>	<u>305,077,000</u>	<u>310,027,000</u>
Other Objects:			
21.0 Travel and transportation. of persons.....	7,798,875	8,110,000	8,452,000
22.0 Transportation of things.....	1,338,728	1,392,000	1,450,000
23.3 Communications, utilities and miscellaneous charges.....	26,897,306	27,970,000	31,000,000
24.0 Printing and reproduction.....	1,343,548	1,400,000	1,450,000
25.0 Other services.....	97,823,030	101,727,000	105,876,000
26.0 Supplies and materials.....	37,120,202	38,599,000	43,299,000
31.0 Equipment.....	42,290,318	46,003,000	49,003,000
32.0 Lands and structures.....	18,721,574	61,870,000	53,335,000
41.0 Grants, subsidies, and contributions.....	<u>4,246,606</u>	<u>4,250,000</u>	<u>4,200,000</u>
Total Other Objects.....	<u>237,580,187</u>	<u>291,321,000</u>	<u>298,065,000</u>
Total Obligations.....	<u>519,564,347</u>	<u>596,398,000</u>	<u>608,092,000</u>

Position Data:

Average Salary, ES positions.....	\$70,935	\$71,915	\$72,991
Average Salary, GM/GS positions.....	\$30,240	\$31,489	\$31,804
Average Grade, GM/GS positions.....	9.65	9.65	9.65
Average Salary of Ungraded positions.....	\$24,903	\$25,339	\$25,845

Note: Includes Regular and Buildings and Facilities Appropriations.

AGRICULTURAL RESEARCH SERVICE

The estimates include proposed changes in the language of this item as follows:
(new language underscored; deleted matter enclosed in brackets).

Agricultural Research Service

- For necessary expenses to enable the Agricultural Research Service to perform agricultural research and demonstration relating to production, utilization, marketing, and distribution (not otherwise provided for), home economics or nutrition and consumer use, and for acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed \$100, [~~\$538,884,000~~] \$559,157,000: Provided, That appropriations hereunder shall be available for temporary employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$115,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That funds appropriated herein can be used to provide financial assistance to the organizers of national and international conferences, if such conferences are in support of agency programs: Provided further, That appropriations hereunder shall be available for the operation and maintenance of aircraft and the purchase of not to exceed one for replacement only: [Provided further, That uniform allowances for each uniformed employee of the Agricultural Research Service shall not be in excess of \$400 annually:] Provided further, That of the appropriations hereunder not less than \$10,526,600 shall be available to conduct marketing research: Provided further, That appropriations hereunder, shall be available pursuant to 7 U.S.C. 2250 for the construction, alteration, and repair of buildings and improvements, but unless otherwise provided the cost of
- 1 constructing any one building shall not exceed [~~\$150,000~~] \$175,000, except for headhouses connecting greenhouses which shall each be limited to \$500,000, and except for ten buildings to be constructed or improved at a cost not to exceed [~~\$275,000~~] \$336,000 each, and the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building or [~~\$150,000~~] \$175,000, whichever is greater: Provided further, That the limitations on alterations contained in this Act shall not apply to a
 - 2 total of [~~\$250,000~~] \$336,000 for facilities at Beltsville, Maryland: Provided further, That the foregoing limitations shall not apply to replacement of buildings needed to carry out the Act of April 24, 1948 (21 U.S.C. 113a) [:
 - 3 Provided further, That the limitation on purchase of land shall not apply to the purchase of land at Fresno, California, or to the purchase of land at the Mahantango Research Watershed, Pennsylvania: Provided further, That not to
 - 4 exceed \$190,000 of this appropriation may be transferred to and merged with the appropriation for the Office of the Assistant Secretary for Science and
 - 5 Education for the scientific review of international issues involving agricultural chemicals and food additives].

Special fund: To provide for additional labor, subprofessional, and junior scientific help to be employed under contracts and cooperative agreements to strengthen the work at Federal research installations in the field, \$1,800,000.

Explanation of Changes

The first change proposes deletion of language pertaining to uniform allowances for uniformed employees of ARS. Authorization for uniform allowances is provided by 5 U.S.C. 5901.

The second change would increase the cost limitation on construction of any building (except headhouses connecting greenhouses) from \$150,000 to \$175,000; construction of ten buildings from \$275,000 to \$336,000 each; and altering any building during the fiscal year from \$150,000 to \$175,000.

The construction cost limitations on buildings should be increased in fiscal year 1989 to maintain the previous value of these authorizations. The requested increases are derived from conservative estimates of cost changes for construction of specialized research laboratories and associated support facilities applicable in the construction industry and in anticipation of the 3.7% inflation and escalation of construction costs in FY 1989 for these specialized types of facilities.

The third change would increase the cost limitation specifically for Beltsville. This is necessary to maintain the previous values of this authorization. The increase requested is derived from conservative estimates of cost changes for construction of specialized research laboratories and associated support facilities applicable in the construction industry and in anticipation of a 3.7% inflation and escalation of construction costs in FY 1989 for these specialized types of facilities.

The fourth change would delete language for the purchase of land at Fresno, California and at the Mahantango Research Watershed, Pennsylvania. This language will not be required in FY 1989.

The fifth change would delete language pertaining to transfer of funds to the Office of the Assistant Secretary for Science and Education for the scientific review of international issues involving agricultural chemicals and food additives. This language will not be required in FY 1989.

AGRICULTURAL RESEARCH SERVICE

Appropriation Act, 1988.....	\$540,684,000
Budget Estimate, 1989.....	560,957,000
Increase in Appropriation.....	<u>+20,273,000</u>

SUMMARY OF INCREASES AND DECREASES
 (On basis of specific projects)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
1. Research to improve groundwater quality...	\$9,241,000	- -	+\$4,000,000	\$13,241,000
2. Research to improve pesticide application techniques.....	1,424,000	- -	+1,000,000	2,424,000
3. Research on the effects of the depletion of stratospheric ozone on crops.....	- -	- -	+700,000	700,000
4. Research to reduce bacterial contamination and pesticide residues in foods.....	4,008,000	- -	+4,500,000	8,508,000
5. Repair and maintenance of Federal facilities.	11,552,000	- -	+4,000,000	15,552,000
6. All Other.....	<u>514,459,000</u>	<u>+\$6,073,000</u>	<u>- -</u>	<u>520,532,000</u>
Total Available.....	<u>540,684,000</u>	<u>+6,073,000</u>	<u>+14,200,000</u>	<u>560,957,000</u>

SUMMARY OF INCREASES AND DECREASES
 (On basis of program activity)

<u>Projects</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
1. Research on soil and water conservation...	\$60,848,000	+\$739,000	+\$5,000,000	\$66,587,000
2. Research on plant sciences.....	211,677,000	+2,552,000	+700,000	214,929,000
3. Research on animal sciences.....	93,531,000	+1,210,000	+1,000,000	95,741,000
4. Research on commodity conversion and delivery.....	105,345,000	+1,266,000	+3,500,000	110,111,000
5. Human nutrition research.....	44,359,000	+171,000	- -	44,530,000
6. Integration of agri- cultural systems.....	12,421,000	+135,000	- -	12,556,000
7. Repair and maintenance of facilities.....	11,552,000	- -	+4,000,000	15,552,000
8. Contingencies.....	<u>951,000</u>	<u>- -</u>	<u>- -</u>	<u>951,000</u>
Total Available.....	<u>540,684,000</u>	<u>+6,073,000</u>	<u>+14,200,000</u>	<u>560,957,000</u>

Project Statement
(on the basis of program activity)

PROJECT	1987 Actual		1988 Estimated		Increase or Decrease	1989 Estimated	
	AMOUNT	Staff Years	AMOUNT	Staff Years		AMOUNT	Staff Years
1. Research on soil and water conservation....	\$59,507,102	987	\$60,848,000	987	+\$5,739,000 (1)	\$66,587,000	987
2. Research on plant sciences.....	192,969,735	3,409	211,677,000	3,411	+3,252,000 (2)	214,929,000	3,411
3. Research on animal sciences.....	89,806,396	1,619	93,531,000	1,620	+2,210,000 (3)	95,741,000	1,620
4. Research on commodity conversion and delivery.	101,246,629	1,691	105,345,000	1,692	+4,766,000 (4)	110,111,000	1,692
5. Human nutrition research.....	40,395,291	229	44,359,000	229	+171,000 (5)	44,530,000	229
6. Integration of agricultural systems.....	11,538,520	180	12,421,000	180	+135,000 (6)	12,556,000	180
7. Repair and maintenance of facilities.....	11,218,454	- -	11,552,000	- -	+4,000,000 (7)	15,552,000	- -
8. Contingencies	a/	- -	951,000	- -	- -	951,000	- -
9. Construction of facilities	9,891,000	- -	- -	- -	- -	- -	- -
Unobligated balance.....	1,663,873	- -	- -	- -	- -	- -	- -
Total available or estimate...	518,237,000	8,115	540,684,000	8,119	+20,273,000	560,957,000	8,119

a/ Obligations incurred under the Research Contingency Fund in 1987 amount to \$932,350 and are reflected in the Program Activities listed above.

AGRICULTURAL RESEARCH SERVICE

Explanation of Program

Under the Agriculture, Rural Development and Related Agencies Appropriations, the Agricultural Research Service develops the means for:

1. Managing and conserving the Nation's soil and water resources for a stable and productive agriculture. -- Research is conducted to develop the technology for assessing and predicting long-term changes in the quantity and quality of soil, water, and air resources available to agriculture; to provide the technology needed for improving, protecting, and restoring the productive capacity of agricultural soils; to develop improved water-management systems and practices to achieve effective and efficient use of water resources; and to develop subsystems and models that integrate the use of soil, water, and air resources for optimum management of major land resource areas.
2. Maintaining and increasing the productivity and quality of crop plants. -- Research is conducted to broaden the germplasm resources of plants and beneficial organisms to ensure maximum genetic diversity for improved productivity; to select and modify germplasm of plants, beneficial organisms, and pests; to develop improved production practices for maintaining and increasing crop productivity and quality and for reducing costs; to discover principles and develop improved methods for reducing crop losses caused by weeds, diseases, insects, nematodes, and other pests; and to develop improved methods for integrating the crop- and pest-management practices needed for higher and more stable levels of crop production.
3. Increasing the productivity of animals and the quality of animal products. -- Research is conducted to increase the genetic capacity of animals for production; to improve the efficiency of reproduction and reproduction-related biological processes; to improve animal nutrition and feed efficiency to increase productivity and product quality; to develop ways to prevent or control losses from diseases, parasites, and toxicants and other substances that limit animal performance and reduce the quality of animal products; to develop means for controlling insects, ticks, and mites that affect animals and man; and to devise means for improving and integrating procedures and facilities for production and transport of animals to increase productivity, reduce costs, and minimize stresses.
4. Achieving maximum use of agricultural products for domestic markets and export. -- Research is conducted to develop means for enhancing the inherent properties and uses of agricultural materials; to develop the means for meeting foreign and domestic user and regulatory requirements relating toxic factors in food, feed, and other agricultural products; to develop means for reducing or eliminating postharvest losses caused by pests, spoilage, and physical and environmental damage; and to develop the means for increasing efficiency of systems for processing, handling, storing, and distributing agricultural products.
5. Promoting optimum human health and well-being through improved nutrition and family resource management. -- Research is conducted to define the nutrient requirements of humans at all stages of the life cycle; to determine the nutrient content of agricultural commodities and processed foods as eaten, and establish the bioavailability of their nutrients; and to improve the nutritional status of humans and the well-being of families by making techniques available for assessing the effectiveness of nutrition and home economics programs.

6. Integrating scientific knowledge of agricultural production, processing, and marketing into systems that optimize resource management and facilitate transfer of technology to users. -- Research is conducted to develop integrated systems for efficiently producing, processing, and marketing agricultural products; and to develop alternative agricultural systems, including those of small scale, that are less dependent upon nonrenewable resources and that are productive, efficient, and sustainable in the long term.
7. Repair and maintenance of facilities. -- Funds are used to repair and maintain ARS facilities to provide safe, energy-efficient and functional workspace for in-house research. In addition to this national program which focuses primarily on safety and energy retrofit projects, ARS is committed to adequately funding routine maintenance and repair. To assure that all facilities are properly maintained, each location allocates program funds as appropriate to perform the most pressing needs.

The research performed by Agricultural Research Service (ARS) is authorized by the Department of Agriculture Organic Act of 1862 (7 U.S.C. 2201, 2204) the Research and Marketing Act of 1946, as amended (7 U.S.C. 427, 1621) the Food and Agriculture Act of 1977, as amended (7 U.S.C. 1281 note), and the Food Security Act of 1985 (7 U.S.C. 3101 note).

JUSTIFICATION FOR INCREASES

- (1) An increase of \$5,739,000 for research on soil and water conservation consisting of:

- (a) An increase of \$4,000,000 for research to improve groundwater quality (\$9,241,000 available in FY 1988).

Need for Change: There is increasing evidence that the quality of the Nation's groundwater is being adversely affected by man's activities, including those associated with agriculture. The general public is concerned. About half of the population obtains its drinking water from underground sources, with several States and most rural communities reliant on these sources for more than 90% of their drinking water. U.S. agriculture also has a vested interest in preventing groundwater and surface water contamination by agricultural chemicals. These chemicals play an essential role in maintaining high levels of farm productivity. Restrictions in their use could damage farm profitability and reduce the competitiveness of U.S. agricultural products in world markets. There is also concern that USDA conservation programs, such as minimum tillage, may be inadvertently exacerbating groundwater contamination.

Nature of Changes: Resources will be used to develop new production systems to prevent or minimize the movement of chemicals within and below the plant root zone. The potential for using winter cover crops and crop rotations to control the mobility of agricultural chemicals will be evaluated for several major crop producing areas. These evaluations will identify optimal farming strategies for minimizing subsurface chemical movement and groundwater contamination.

- (b) An increase of \$1,000,000 for research to improve pesticide application techniques (\$1,424,000 available in FY 1988).

Need for Change: Although progress has been made in reducing pesticide use in agriculture, it is anticipated that some pesticides will be required for the production of food and fiber well into the future. There is a need to improve the effectiveness of pesticides in horticultural and field crops by increasing the penetration and retention of foliar applied chemicals and by developing new application techniques for biological materials. Recent advances in the development of invert emulsion systems for the application of weed pathogens and other biological control agents have further amplified the need for new application techniques and systems. The increased use of center pivots and other irrigation systems for applying fertilizers, growth regulators, and pesticides has identified the need for developing expert systems for automating safer pest management in irrigated cropping systems.

Nature of Change: Resources will be used to explore innovative pesticide application techniques so that a higher percentage of applied chemicals will reach the target area and, once there, remain biologically active over a longer period of time. Areas of research will include new concepts in spray application, pesticide formulations to reduce atmospheric losses, improved techniques to ensure more uniform coverage at lower application rates, influence of environmental conditions, and use of advanced on-farm computer technology to predetermine optimum pesticide application variables for specific crop needs.

- (c) An increase of \$739,000 for pay raises effective in January, 1988.

(2) An increase of \$3,252,000 for research on plant sciences consisting of:

(a) An increase of \$700,000 for research on the effects of the depletion of stratospheric ozone on crops (\$0 available in FY 1988).

Need for Change: A major consequence of the reduction in the stratospheric ozone is the increase in the amount of UV-B radiation that reaches the earth's surface. Information pertaining to the interrelationships of yield and quality of major food and feed crops as affected by increasing amounts of UV-B radiation is lacking or inconclusive. In order to quantify the potential effects of UV-B radiation, research is needed on soybeans, corn, forages, vegetable and fruit crops. Until this data is collected and assessed, the projected consequences of increased UV-B radiation on agriculture and the Nation's food supply are speculative.

Nature of Change: The magnitude of the effects of increased UV-B radiation will be determined and a dose-response curve derived on several classes of vegetables, fruit-bearing plants, corn, soybeans and forages. The degree of genetic diversity in the major crops as related to UV-B radiation responses will be explored in concurrent studies at ARS laboratories at Beltsville, Maryland, and Raleigh, North Carolina. Research at Raleigh, North Carolina will be conducted in cooperation with North Carolina State Experiment Station scientists.

(b) An increase of \$2,552,000 for pay raises effective in January, 1988.

(3) An increase of \$2,210,000 for research on animal sciences consisting of:

(a) An increase of \$1,000,000 for research to reduce bacterial contamination and pesticide residues in food-producing animals (\$1,062,000 available in FY 1988).

Need for Change: Food products of animal origin continue to be found implicated in investigations of outbreaks of human disease. Most food-producing animals, including poultry, swine and cattle, may carry Salmonella and/or Campylobacter in their gastrointestinal tract or other organs without showing overt clinical signs of the disease. Since these inapparent infections do not often decrease weight gains or feed efficiency in animals, there has been little economic incentive to control these bacteria in animal production. Research is necessary to develop management procedures and products to prevent colonization of food producing animals with bacteria causing human illness.

Nature of Change: Research will be conducted to develop management control procedures for live animals to prevent Salmonella and Campylobacter infection in poultry, swine, and cattle. Factors that affect colonization of the host and transmission of infection will be identified, including routes of entry, sites of colonization, and host reactions to infection. Where appropriate, specific vaccines and/or non-specific immunity enhancers will be developed to prevent infection and the carrier state.

(b) An increase of \$1,210,000 pay raises effective in January, 1988.

- (4) An increase of \$4,766,000 for research on commodity conversion and delivery consisting of:

- (a) An increase of \$3,500,000 for research to reduce bacterial contamination and pesticide residues in foods (\$2,946,000 available in FY 1988).

Need for Change: The public is increasingly concerned with the quality of the food they eat. Heightened consumer awareness of issues such as bacterial contamination and pesticide residues has intensified the need to assure the safety and quality of the food supply. Human diseases involving Salmonella, Campylobacter, and Listeria and other organisms continue to be linked to animal food products. Most food-producing animals are exposed to pesticides either directly through use of chemicals to kill or repel livestock insects and parasites or indirectly through the presence of pesticide residues in their feed. We need adequate quick, economical, and reliable residue detection methods to maintain public confidence in animal-derived foods.

Nature of Change: Improved bacterial identification and quantitation techniques will be developed for hazardous bacteria in meat and meat products. The incidence of colonization of live poultry by these hazardous organisms will be studied. Alternative scalding, defeathering, and evisceration methods will be identified to increase the effectiveness of slaughtering and processing procedures in removing hazardous bacteria from poultry. New slaughtering and processing and food hygiene approaches will be developed to control dissemination of Listeria, Salmonella and Campylobacter before, during, and after slaughter of food-producing animals. The incidence and transmission of Toxoplasma will be determined to develop adequate procedures to assure that transmission from animal derived food products to humans does not occur. Research will be conducted to develop (1) simple and fast screening methods to detect pesticide residues in animals presented for slaughter and (2) confirmatory methods for pesticides and drug residues in animal products suitable for use by regulatory agencies.

- (b) An increase of \$1,266,000 for pay raises effective in January, 1988.

- (5) An increase of \$171,000 for human nutrition research for pay raises effective in January, 1988.
- (6) An increase of \$135,000 for integration of agricultural systems for pay raises effective in January, 1988.
- (7) An increase of \$4,000,000 for repair and maintenance of Federal facilities (\$11,552,000 available in FY 1988).

Need for Change: The Agricultural Research Service is committed to adequately funding routine repair and maintenance of its facilities to provide safe, functional work space to conduct its in-house research program. The research facilities were built over a period of time dating back to the 1930's.

As a result of an Agencywide inspection and abatement program and continued emphasis on environmental compliance a number of code deficiencies have been identified. Additional funding is needed to correct these deficiencies in a timely manner to reduce the potential for human and economic losses associated with injury, illness, property, and environmental damage incidence.

The age and state of repair of many ARS facilities requires additional funding to properly restore older buildings and facility support systems to assure they will continue to meet safety codes and support ongoing research program needs.

Despite the current funding level for repair and maintenance and the set-aside of 4 percent of location base funds for facility repairs, additional funds for this purpose are proposed in FY 1989 and beyond. Present funding is insufficient to meet the growing needs for these facilities. Inflation has eroded the purchasing power of the initial repair and maintenance appropriations and constraints on the Agency's research program funds hamper further earmarking for facility repairs.

Nature of Change: Facilities' deterioration along with scientific and technological advances render many laboratories obsolete. Restored buildings under a comprehensive repair and maintenance program would significantly enhance the Agency's research program. Examples of a wide array of repair and maintenance needs for facilities, utility systems and built-in equipment include repair/replacement of heating, ventilating and air conditioning systems, roofs, water/sewer, steam lines and electrical lines, transformers, greenhouse restructuring, laboratory space repairs/replacement--cabinets, benches, built-in equipment (fumehoods), road/bridge/parking lot repairs/repaving, fencing, and other security needs. Many of these projects are necessary to correct building, environmental and fire/safety code deficiencies.

CONTINGENCY RESEARCH FUND

The Contingency Research Fund, established by Congress in Fiscal Year 1962, is designed to provide a ready source of funds to meet unforeseen and immediate research needs. Releases from the fund are generally made in situations where an emergency exists, or for special needs such as an unexpected scientific "breakthrough," or for new diseases or pest problems where it appears inadvisable to wait for consideration of a request for funds for the project in the regular budget process. In allocating funds, the procedure is to make no commitments for allocations from the fund beyond the current year.

	<u>1987 Obligations</u>
Polychlorinated Biphenyl (PCB) cleanup at storage area for transformers, Beltsville Agricultural Research Center, Beltsville, Maryland.....	\$160,000
Emergency repairs to the North Wing of the Metabolism and Radiation Laboratory damaged by fire, Fargo, North Dakota.....	9,000
Emergency repairs to laboratory-office building damaged by hail storm, Akron, Colorado.....	6,720
Disposal of hazardous waste chemicals, range and pasture research, Woodward, Oklahoma.....	10,380
Emergency repairs to research facility damaged by storm, El Reno, Oklahoma.....	51,700
Cost for waste/chemical disposal project, Southern Regional Research Center, New Orleans, Louisiana.....	240,000
Contract for review and analysis of hazardous waste disposal in the Agricultural Research Service, Beltsville, Maryland.....	23,500
Reconstruction of Pesticide Laboratory-offices destroyed by fire, Tifton, Georgia.....	395,000
Reconstruction of a greenhouse at the Air Quality Field Research site damaged by ice storm, Raleigh, North Carolina.....	16,000
Emergency repairs to greenhouse destroyed by ice storm, Oxford, North Carolina.....	11,800
Hazardous waste disposal of DDT, Cotton Production Research Unit, Florence, South Carolina.....	<u>8,250</u>
Total 1987 Obligations, Contingency Research Fund	932,350
Unobligated Balance.....	<u>18,650</u>
Total 1987 Contingency Research Fund Available.....	<u><u>951,000</u></u>

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1987		Estimated 1988		Estimated 1989	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
ALABAMA, Auburn.....	\$2,507,198	46	\$2,434,300	46	\$2,469,700	46
ALASKA, Fairbanks.....	716,071	7	708,700	7	714,100	7
ARIZONA						
Phoenix.....	4,851,291	108	4,910,200	108	5,173,200	108
Tucson.....	3,627,893	75	3,484,800	75	3,542,500	75
Total.....	8,479,184	183	8,395,000	183	8,715,700	183
ARKANSAS						
Booneville.....	933,969	17	943,600	17	956,700	17
Stuttgart.....	233,452	4	360,800	4	363,900	4
Total.....	1,167,421	21	1,304,400	21	1,320,600	21
CALIFORNIA						
Albany.....	17,514,422	268	18,258,900	277	18,911,200	277
Brawley.....	324,187	8	329,100	8	335,200	8
Davis.....	1,633,114	21	1,354,200	21	1,370,300	21
Fresno.....	4,131,775	68	3,301,800	68	3,354,100	68
Pasadena.....	1,897,206	37	1,893,800	37	1,922,200	37
Riverside.....	3,005,127	58	2,748,600	58	2,973,200	58
Salinas.....	1,744,214	35	1,725,400	35	1,752,300	35
San Francisco.....	3,667,702	40	3,946,300	40	3,977,100	40
Shafter.....	1,116,218	23	1,188,800	23	1,206,500	23
Total.....	35,033,965	558	34,746,900	567	35,802,100	567
COLORADO						
Akron.....	746,259	16	721,400	16	733,700	16
Fort Collins.....	7,134,076	133	8,294,400	143	8,664,500	143
Total.....	7,880,335	149	9,015,800	159	9,398,200	159
DELAWARE						
Georgetown.....	614,276	11	728,900	11	737,400	11
Newark.....	571,544	14	574,100	14	584,800	14
Total.....	1,185,820	25	1,303,000	25	1,322,200	25
DISTRICT OF COLUMBIA						
Program.....	3,408,133	67	3,789,100	67	3,840,600	67
Headquarters						
Federal						
Administration.....	27,256,670	513	28,520,900	559	28,856,900	559
Centrally Fi-						
nanced Services.....	7,524,500	- -	8,199,100	- -	8,199,100	- -
Subtotal.....	34,781,170	513	36,720,000	559	37,056,000	559
Total.....	38,189,303	580	40,509,100	626	40,896,600	626
FLORIDA						
Belle Glade.....	233,502	4	182,400	4	185,500	4
Brooksville.....	470,683	10	427,800	10	435,500	10
Canal Point.....	696,159	20	721,000	20	736,400	20
Fort Lauderdale.....	647,179	12	641,400	12	650,600	12
Gainesville.....	8,779,230	155	8,136,700	155	8,255,900	155
Lake Alfred.....	96,379	2	- -	- -	- -	- -
Miami.....	2,070,857	34	1,566,000	34	1,592,100	34
Orlando.....	3,828,488	65	3,850,400	65	3,900,400	65
Winter Haven.....	1,046,633	15	1,233,500	15	1,245,100	15
Total.....	17,869,110	317	16,759,200	315	17,001,500	315

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1987		Estimated 1988		Estimated 1989	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
GEORGIA						
Athens.....	10,991,803	190	11,544,100	193	12,580,800	193
Byron.....	1,672,254	42	1,817,400	42	1,849,700	42
Dawson.....	1,407,449	27	1,378,900	27	1,399,600	27
Experiment.....	733,732	7	1,407,700	7	1,413,100	7
Savannah.....	2,762,323	53	2,636,000	53	2,676,700	53
Tifton.....	6,097,439	102	6,007,500	102	6,626,000	102
Watkinsville.....	1,822,566	27	1,764,500	27	1,785,200	27
Total.....	25,487,566	448	26,556,100	451	28,331,100	451
HAWAII, Honolulu.....	3,523,535	56	4,443,900	56	4,487,000	56
IDAHO						
Aberdeen.....	765,396	11	1,130,400	11	1,138,800	11
Boise.....	963,389	17	1,029,100	17	1,042,200	17
Dubois.....	1,359,515	11	1,533,500	11	1,541,900	11
Kimberly.....	1,897,896	41	2,071,000	41	2,282,600	41
Total.....	4,986,196	80	5,764,000	80	6,005,500	80
ILLINOIS						
Peoria.....	18,684,409	310	19,849,600	319	20,445,200	319
Urbana.....	3,064,179	49	3,134,200	49	3,171,900	49
Total.....	21,748,588	359	22,983,800	368	23,617,100	368
INDIANA, Lafayette.....	3,169,119	45	2,822,200	45	2,856,800	45
IOWA, Ames/Ankeny.....	17,009,020	352	17,040,300	327	17,921,800	327
KANSAS, Manhattan.....	3,869,265	65	3,743,800	65	3,793,800	65
KENTUCKY, Lexington....	900,960	16	882,500	16	894,800	16
LOUISIANA						
Baton Rouge.....	1,646,569	34	1,552,700	34	1,758,800	34
Houma.....	1,327,578	36	1,305,100	36	1,332,800	36
New Orleans.....	16,148,871	243	15,921,700	243	16,108,600	243
Total.....	19,123,018	313	18,779,500	313	19,200,200	313
MAINE, Orono.....	512,604	7	436,000	7	441,300	7
MARYLAND						
Beltsville.....	72,018,816	1,308	72,320,800	1,283	74,243,000	1,283
Frederick.....	2,094,995	42	2,046,400	42	2,078,700	42
Hyattsville.....	349,635	10	391,000	10	398,700	10
Total.....	74,463,446	1,360	74,758,200	1,335	76,720,400	1,335
MASSACHUSETTS, Boston..	12,098,935	2	12,990,900	2	12,992,400	2
MICHIGAN, East Lansing.	3,099,265	59	2,970,200	59	3,015,500	59

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1987		Estimated 1988		Estimated 1989	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
MINNESOTA						
East Grand Forks.....	422,808	8	889,700	8	895,900	8
Minneapolis.....	758,197	16	- -	- -	- -	- -
Morris.....	2,023,162	33	1,694,300	33	1,899,600	33
St. Paul.....	2,752,783	40	3,294,300	40	3,325,100	40
Total.....	5,956,950	97	5,878,300	81	6,120,600	81
MISSISSIPPI						
Mississippi State....	6,406,410	114	5,851,100	114	5,938,700	114
Oxford.....	3,418,987	69	3,306,900	69	3,720,000	69
Poplarville.....	658,188	12	599,100	12	608,300	12
Stoneville.....	9,646,426	184	9,439,300	188	10,116,700	188
Total.....	20,130,011	379	19,196,400	383	20,383,700	383
MISSOURI, Columbia.....	4,084,038	83	4,006,200	83	4,070,000	83
MONTANA						
Bozeman.....	1,095,976	26	1,334,200	26	1,354,200	26
Miles City.....	1,554,039	13	1,704,800	13	1,714,800	13
Sidney.....	495,133	11	425,800	11	434,300	11
Total.....	3,145,148	50	3,464,800	50	3,503,300	50
NEBRASKA						
Clay Center.....	8,064,006	58	8,250,100	58	8,654,700	58
Lincoln.....	2,657,877	42	2,715,800	42	2,928,100	42
Total.....	10,721,883	100	10,965,900	100	11,582,800	100
NEVADA, Reno.....	558,622	8	600,600	8	606,800	8
NEW JERSEY						
New Brunswick.....	307,317	5	- -	- -	- -	- -
NEW MEXICO						
Las Cruces.....	1,228,791	27	1,217,000	27	1,237,800	27
NEW YORK						
Geneva.....	625,055	9	1,128,000	9	1,134,900	9
Ithaca.....	2,890,271	38	2,875,600	38	2,904,800	38
Plum Island.....	8,401,604	210	8,705,900	210	8,867,400	210
Total.....	11,916,930	257	12,709,500	257	12,907,100	257
NORTH CAROLINA						
Oxford.....	2,288,773	35	2,295,100	35	2,322,000	35
Raleigh.....	4,196,678	72	4,053,400	72	4,513,800	72
Total.....	6,485,451	107	6,348,500	107	6,835,800	107
NORTH DAKOTA						
Fargo.....	7,236,255	123	7,551,400	123	7,646,000	123
Grand Forks.....	5,812,093	31	6,320,400	31	6,344,300	31
Mandan.....	2,281,436	49	2,272,900	49	2,310,500	49
Total.....	15,329,784	203	16,144,700	203	16,300,800	203

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1987		Estimated 1988		Estimated 1989	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
OHIO						
Columbus.....	217,557	4	191,500	4	374,600	4
Coshocton.....	804,333	18	801,800	18	995,700	18
Delaware.....	555,994	11	562,900	11	571,300	11
Wooster.....	1,764,682	36	1,512,100	36	1,719,800	36
Total.....	3,342,566	69	3,068,300	69	3,661,400	69
OKLAHOMA						
Durant.....	1,821,147	40	1,855,000	40	2,065,800	40
El Reno.....	1,521,081	30	1,598,500	30	1,621,600	30
Lane.....	1,052,340	11	1,299,800	11	1,308,300	11
Poteau.....	571,974	12	410,400	12	419,600	12
Stillwater.....	1,702,661	32	1,645,700	32	1,670,300	32
Woodward.....	774,642	17	711,400	17	724,500	17
Total.....	7,443,845	142	7,520,800	142	7,810,100	142
OREGON						
Burns.....	307,943	3	331,600	3	333,900	3
Corvallis.....	2,918,207	42	3,770,500	42	3,802,800	42
Pendleton.....	941,457	22	1,062,400	22	1,079,300	22
Portland.....	750,811	15	- -	- -	- -	- -
Total.....	4,918,418	82	5,164,500	67	5,216,000	67
PENNSYLVANIA						
University Park.....	2,527,379	50	2,625,300	50	2,843,700	50
Wyndmoor.....	16,237,832	233	16,421,500	239	17,315,400	239
Total.....	18,765,211	283	19,046,800	289	20,159,100	289
SOUTH CAROLINA						
Charleston.....	2,145,971	42	2,189,400	42	2,221,700	42
Clemson.....	1,649,719	29	1,688,200	29	1,710,500	29
Florence.....	1,615,293	37	1,648,300	37	1,676,800	37
Total.....	5,410,983	108	5,525,900	108	5,609,000	108
SOUTH DAKOTA						
Brookings-Madison....	1,423,922	36	1,449,100	36	1,476,800	36
TENNESSEE						
Greeneville.....	48,948	1	49,900	1	50,600	1
Jackson.....	125,597	3	127,300	3	129,600	3
Lewisburg.....	147,498	3	145,200	3	147,500	3
Total.....	322,043	7	322,400	7	327,700	7
TEXAS						
Beaumont.....	731,155	15	752,500	15	764,000	15
Brownwood.....	594,889	11	500,100	11	508,600	11
Bushland.....	2,175,630	48	2,138,800	48	2,175,700	48
College Station.....	8,357,942	154	8,183,800	157	9,016,000	157
Houston.....	4,879,438	- -	6,986,100	3	6,988,400	3
Kerrville.....	2,270,026	52	2,261,200	52	2,301,200	52
Lubbock.....	2,459,950	49	2,388,600	49	2,426,300	49
Temple.....	2,893,638	60	2,745,900	60	2,792,000	60
Weslaco.....	5,502,280	107	5,715,700	107	5,798,000	107
Total.....	29,864,948	496	31,672,700	502	32,770,200	502

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1987		Estimated 1988		Estimated 1989	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
UTAH, Logan.....	3,238,379	54	3,017,900	54	3,059,400	54
VIRGINIA						
Suffolk	478,004	12	477,300	12	486,500	12
WASHINGTON						
Prosser.....	2,365,183	45	2,187,800	45	2,222,400	45
Pullman.....	5,078,867	87	5,424,000	87	5,490,900	87
Wenatchee.....	1,059,812	23	1,073,400	23	1,091,100	23
Yakima.....	2,309,600	52	2,372,900	52	2,412,900	52
Total.....	10,813,462	207	11,058,100	207	11,217,300	207
WEST VIRGINIA						
Beckley.....	2,275,071	38	2,384,200	38	2,413,500	38
Kearneysville.....	3,203,080	47	3,221,900	47	3,258,000	47
Total.....	5,478,151	85	5,606,100	85	5,671,500	85
WISCONSIN, Madison.....	4,312,693	54	4,737,700	54	4,779,200	54
WYOMING						
Cheyenne.....	704,641	18	657,300	18	671,100	18
Laramie.....	2,212,981	27	1,897,800	27	1,918,600	27
Total.....	2,917,622	45	2,555,100	45	2,589,700	45
PUERTO RICO						
Mayaguez.....	1,802,424	50	1,844,200	50	1,882,700	50
VIRGIN ISLANDS						
St. Croix.....	178,995	5	211,800	5	215,700	5
OTHER COUNTRIES						
Argentina,						
Buenos Aires.....	155,906	- -	151,100	- -	151,100	- -
France, Behoust.....	1,104,850	3	816,600	3	818,900	3
Italy, Rome.....	586,362	1	547,800	1	548,600	1
Kenya, Muguga.....	87,823	1	- -	- -	- -	- -
Korea, Seoul.....	150,093	1	151,500	1	152,300	1
Mexico, Tuxtla						
Gutierrez.....	831,651	8	890,100	8	896,300	8
Netherlands,						
Rotterdam.....	290,170	2	307,700	2	309,200	2
Total.....	3,206,855	16	2,864,800	15	2,876,400	15

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1987		Estimated 1988		Estimated 1989	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
Extramural and Program locations to be determined.....	9,303,739	- -	17,336,400	- -	18,356,800	- -
Contingency Research Fund.....	<u>a/</u>	- -	951,000	- -	951,000	- -
Repair & Maintenance of Facilities.....	10,209,655	- -	10,551,400	- -	14,551,400	- -
Construction of facilities.....	9,891,000	- -	- -	- -	- -	- -
Federal employees' Retirement System....	- -	- -	15,453,000	- -	15,453,000	- -
Unobligated Balance....	1,663,873	- -	- -	- -	- -	- -
Subtotal, Available or Estimate.....	517,871,637	8,115	540,315,000	8,119	560,588,000	8,119
Allotment to Forest Service.....	365,363	- -	369,000	- -	369,000	- -
TOTAL, Appropriation...	518,237,000	8,115	540,684,000	8,119	560,957,000	8,119

a/ Obligations incurred under the Research Contingency Fund in 1987 amount to \$932,350 and are reflected in the locations above.

AGRICULTURAL RESEARCH SERVICE

The estimates include proposed changes in the language of this item as follows: (new language underscored; deleted matter enclosed in brackets.)

Buildings and Facilities:

For acquisition of land, construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities and for grants to States and other eligible recipients for such purposes, as necessary to carry out the agricultural research, extension and teaching programs of the Department of Agriculture, where not otherwise provided, [\$57,815,000, of which \$7,500,000 shall not be obligated prior to fiscal year 1989] \$11,000,000 to remain available until expended: Provided, That these funds may be transferred to such other accounts in this Act as may be appropriate to carry out these purposes: Provided further, That facilities to house Bonsai collections at the National Arboretum may be constructed with funds accepted under the provisions of Public Law 94-129 (20 U.S.C. 195) and the limitation on construction contained in the Act of August 24, 1912 (40 U.S.C. 68) shall not apply to the construction of such facilities.

Explanation of Change

The change provides funding for the construction of the National Seed Storage Laboratory, Fort Collins, Colorado in FY 1989.

AGRICULTURAL RESEARCH SERVICE

BUILDINGS AND FACILITIES

Appropriation Act, 1988.....	\$57,815,000
Budget Estimate, 1989.....	11,000,000
Decrease in Appropriation.....	<u>-46,815,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

<u>Items of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Agricultural Biotechnology Center at the University of Arizona, Tucson, Arizona.....	\$4,575,000	-\$4,575,000	--
Poultry Laboratory and Isolation Facility at the University of Arkansas, Fayetteville, Arkansas	375,000	-375,000	--
Planning and Construction, National Seed Storage Laboratory, Fort Collins, Colorado.....	1,000,000	+10,000,000	\$11,000,000
Agricultural Biotechnology Institute at the University of Florida, Gainesville, Florida.....	50,000	-50,000	--
Biocontainment Center at the Univer- sity of Georgia, Athens, Georgia	50,000	-50,000	--
National Center for Food and Indus- trial Agricultural Product Development at Iowa State Univer- sity, Ames, Iowa.....	6,375,000	-6,375,000	--
Center for applied Aquaculture in Hawaii.....	6,375,000	-6,375,000	--
Beltsville Agriculture Research Center			
A. Renovation of Bldg. 007.....	2,000,000	-2,000,000	--
B. Upgrade existing facilities	2,600,000	-2,600,000	--
C. Clean and reline water pipes	1,150,000	-1,150,000	--
National Center for Development of Natural Products at the University of Mississippi, Mississippi State, Mississippi.....	50,000	-50,000	--
Plant Bioscience Center at Rutgers University, New Brunswick, New Jersey.....	50,000	-50,000	--
Facilities consolidation for the North Dakota Agricultural Experi- ment Station, Fargo, North Dakota	300,000	-300,000	--
National Veterinary Center for Equine and Bovine Biotechnology Research at Oklahoma State University, Stillwater, Oklahoma.....	50,000	-50,000	--
Agricultural Research Facility at Oregon State University, Corvallis, Oregon.....	10,000,000 <u>1/</u>	-10,000,000	--

1/ \$7,500,000 to become available in 1989.

<u>Items of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Western Regional Wheat Marketing Center, Portland, Oregon.....	6,000,000	-6,000,000	--
U.S. Vegetable Laboratory at Charleston, South Carolina.....	50,000	-50,000	--
Stafford-Aiken Center for Microbiology, Vermont.....	2,200,000	-2,200,000	--
Agricultural Biotechnology Center at Virginia Polytechnic Institute, Blacksburg, Virginia.....	50,000	-50,000	--
Equine Medical Center Isolation Unit, Leesburg, Virginia.....	50,000	-50,000	--
Food and Nutrition Center, Pullman, Washington.....	5,540,000	-5,540,000	--
Regional Center for Information and Technology at Gonzaga University, Spokane, Washington.....	7,500,000	-7,500,000	--
Planning for replacement of the U.S. Fruit and Vegetable Laboratory at Yakima, Washington.....	1,000,000	-1,000,000	--
Poultry Laboratory at West Virginia University, Morgantown, West Virginia.....	375,000	-375,000	--
Agricultural Biotechnology Facility, Houston, Texas.....	<u>50,000</u>	<u>-50,000</u>	<u>--</u>
Total Available.....	<u>57,815,000</u>	<u>-46,815,000</u>	<u>11,000,000</u>

Project Statement

Project	1987		1988 (est.)		Decrease	1989 (est.)	
	Amount	Staff : Years	Amount	Staff : Years		Amount	Staff : Years
Buildings and Facilities..	\$12,856,117:	--	\$50,315,000:	--	-\$39,315,000:	\$11,000,000:	--
Unobligated balance.....	22,990,069:	--	7,500,000:	--	-7,500,000:	--:	--
Total Available:	:	:	:	:	:	:	:
or estimate...	35,846,186:	--	57,815,000:	--	-46,815,000:	11,000,000:	--

JUSTIFICATION FOR INCREASES AND DECREASES

(1) A net decrease of \$46,815,000 for Buildings and Facilities consisting of:

- (a) A decrease of \$57,815,000 to delete funds contained in the FY 1988 Appropriation Act for construction projects.

Need for Change. Funds for projects contained in the FY 1988 Appropriation Act totaled \$57,815,000. The funds are available until fully expended and are not required in the FY 1989 Appropriation Act.

- (b) An increase of \$11,000,000 for construction of a new National Seed Storage Laboratory, Fort Collins, Colorado.

Need for Change. The present National Seed Storage Laboratory (NSSL), constructed in 1957, has nearly reached capacity and has various functional deficiencies which compromise its ability to provide adequate long-term germplasm storage. While the National Plant Germplasm System (NPGS) includes numerous smaller working collections, the NSSL is the most important germplasm repository for major crops in the world. It houses the entire base seed collections of all major U.S. crops for long-term storage and preservation.

Valuable crops germplasm around the world is increasingly being lost because of man's activities. For this endangered germplasm to be available to future generations, its collection and preservation must be accelerated. Availability of a wide variety of genetic material is crucial to realization of significant breakthroughs in biotechnology applications. Collection of germplasm is far from being finished for most of our food, fiber and forage crops. Currently there are about 210,000 seed samples (accessions) in the NSSL. At the present rate of acquisition, the facility will be completely full by 1989. Plans now being developed for further acceleration of collection of endangered germplasm, especially of wheat, corn, soybeans, vegetables and forage crops, will dictate the need for expanded storage facilities by 1989.

A facility is needed with the capacity of storing one million seed accessions. This takes into account the additional need for preserving seed of endangered native plants, of new crop species having potential economic importance, and for accommodating the probable and specialized requirements of storage in the form of DNA. The existing facility would be renovated as part of this project to house germplasm research.

Nature of Change. Construction will include the expansion and renovation of the present NSSL facility at Fort Collins, Colorado.

Agricultural Research Service
Status of Construction Projects as of January 1988

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Status of research facilities authorized or funded in prior years and reported as uncompleted in the 1988 Explanatory Notes, is as follows:

NOTE: Design criteria, provided by ARS, specifies the program requirements for the facility and forms the basis for negotiation of architect-engineer contracts. Diagrammatic drawings or concept drawings provide the basis for the first review of the architect's design. Tentative drawings or architect's design are provided by the architect for firming up cost estimates and basis for developing the completed, and final working drawings.

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Arizona, Tucson <u>Agricultural Biotechnology Center,</u> University of Arizona	1988 Construction	\$4,575,000	Project will be handled through a grant process by the Cooperative State Research Service.
Arkansas, Booneville <u>South Central Small</u> Farms Research Center	1985 Plans and Construction	450,000	Completed fourth quarter of FY 1987.
Arkansas, Fayetteville <u>Poultry Laboratory and</u> Isolation Facility, University of Arkansas	1988 Plans	375,000	Project will be handled through a grant process by the Cooperative State Research Service.
California, Riverside <u>U.S. Salinity Laboratory</u>	1987 Plans	1,000,000	A lease agreement is being negotiated with the University of California, Riverside. Selection of an Architectural-Engineering (A-E) design firm is also in progress. The contract for design will be awarded the second quarter of FY 1988.
Colorado, Ft. Collins <u>National Seed Storage</u> Facility	1988 Plans	1,000,000	A land transfer from Colorado State University, Ft. Collins, Colorado, to ARS is being negotiated. Negotiations are expected to be completed in the third quarter of FY 1988. Selection procedures for an A-E firm have been initiated. The design contract is planned for award in the fourth quarter of FY 1988.

Status of Construction Projects as of January 1988 (Cont.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Florida, Gainesville <u>Agricultural Biotech-</u> nology Institute, University of Florida	1988 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Georgia, Athens <u>Biocontainment</u> Center, University of Georgia	1988 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Hawaii Center for Applied Aquaculture in Hawaii	1988 Planning and Construction	6,375,000	Project will be handled through a grant process by the Cooperative State Research Service.
Idaho, Aberdeen <u>Germplasm</u> Collection Facility	1985 Plans 1986 Construction	300,000 2,568,600 <u>2,868,600</u>	The A-E design was awarded in the third quarter of FY 1986, and completed in the third quarter of FY 1987. Construction was awarded in the fourth quarter of FY 1987, and completion is scheduled in the fourth quarter of FY 1988.
Iowa, Ames <u>National</u> Soil Tilth Center	1984 Plans 1985 Construction Total	800,000 11,100,000 <u>11,900,000</u>	Construction was awarded in the first quarter of FY 1987 and and completion is scheduled in the first quarter of FY 1989.
National Center for Food and Industrial Product Development, Iowa State University	1988 Planning and Construction	6,375,000	Project will be handled through a grant process by the Cooperative State Research Service.
Maryland, Beltsville <u>Building 007</u> (\$2 Million) General Upgrading of Facilities (\$2.6 Million) Clean and Reline Water Lines (\$1.15 Million)	1988 Plans and Construction	5,750,000	Award of contract for construction is projected for the fourth quarter of FY 1988 for Building 007. Design and construction contracts to upgrade facilities will be awarded the third quarter of FY 1988 through the second quarter of FY 1989. An A-E contract for a feasibility study to determine the exact scope of work is projected for award the third quarter of FY 1988 for the water lines.

Status of Construction Projects as of January 1988 (Cont.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Massachusetts, Boston <u>Human Nutrition</u> Research Center, Tufts University	1978 Plans 1979 Construction 1980 Reprogrammed 1982 Reprogrammed 1982 Construction Total	2,000,000 21,100,000 2,187,000 (a) 1,490,748 (b) 5,896,000 <u>32,673,748</u>	This project has been completed.
Mississippi, <u>Mississippi State</u> National Center for Development of Natural Products, Univ. of Miss.	1988 Feasibility and Planning	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Mississippi, Oxford <u>USDA Sedimentation</u> Laboratory	1985 Plans and Construction	1,400,000	Construction completed in the second quarter of FY 1987.
Nebraska, Clay Center <u>Animal Health System</u> Research Laboratory	1986 Reprogrammed for Planning and Construction	4,000,000	A-E design was awarded in the first quarter of FY 1987 and design is to be completed the second quarter of FY 1988. The construction is scheduled to be awarded during the third quarter of FY 1988 and completed during the fourth quarter of FY 1989.
Nebraska, Lincoln <u>Old West Regional</u> College of Veterinary Medicine	1983 Plans 1984 Construction 1986 Reprogrammed 1986 Transferred to CSRS Total	827,000 12,050,000 -4,000,000 -7,000,000 <u>1,877,000</u>	Funds originally authorized for the establishment of the Old West Regional College of Veterinary Medicine have been reprogrammed. Funds in the amount of \$4,000,000 were reprogrammed for construction and equipping of a facility for advanced studies in food animal medicine at Clay Center, Nebraska. A total of \$7,000,000 was transferred to the Cooperative States Research Service in FY 1986. The balance of available funds will be used for the Meat Animal Research Center in Clay Center, Nebraska, with approximately one-half of the funds to be used for equipment for the herd health system and the other one-half to be used for equipment for the meat safety assurance program.

Status of Construction Projects as of January 1988 (Cont.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
New Jersey, New Brunswick <u>Plant Bioscience Center,</u> Rutgers University	1988 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
New York, Plum Island <u>Plum Island Animal</u> Disease Center	1973 Plan	250,000	The laboratory additions at the Plum Island Animal Disease Center which were stopped in March 1979 due to contractor default are complete. Design to consolidate all laboratory facilities and finish the existing vaccine research laboratory structure for joint Agricultural Research Service and Animal and Plant Health Inspection Service is under discussion.
	1976 Construction	10,000,000	
	1977 Redirection	294,000 (c)	
	1977 Redirection	700,000 (d)	
	1978 Redirection	900,000 (e)	
	1981 Construction	10,100,000	Design was awarded in the second quarter of FY 1985 and completed in the third quarter of FY 1986. Construction was awarded in the fourth quarter of FY 1986 and is scheduled for completion in the second quarter of FY 1988.
	Total	22,244,000	
North Dakota, Fargo <u>Sunflower and Sugarbeet</u> Research Laboratory	1984 Plans	800,000	
	1985 Construction	9,100,000	
	Total	9,900,000	
North Dakota Agricultur- al Experiment Station	1988 Facilities Consolidation	300,000	Project will be handled through a grant process by the Cooperative State Research Service.
Oklahoma, Lane <u>South Central</u> Agricultural Research Center	1983 Plans	350,000	Construction was completed in the first quarter of 1987.
	1984 Plans and Construction	1,575,000	
	Total	1,925,000	
Oklahoma, Stillwater <u>National Veterinary</u> Center for Equine and Bovine Biotechnology Research, Oklahoma State University	1988 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.

Status of Construction Projects as of January 1988 (Cont.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Oregon, Corvallis National Forage Seed Production Research	1983 Plans 1984 Construction Total	750,000 3,200,000 <u>3,950,000</u>	The construction contract was extended to the third quarter of FY 1988 in order to test the greenhouse heating system.
Agricultural Research Facility, Oregon State University	1988 Construction	10,000,000	Project will be handled through a grant process by the Cooperative State Research Service.
Oregon, Portland Western Regional Wheat Marketing Center	1988 Construction	6,000,000	Project will be handled through a grant process by the Cooperative State Research Service.
South Carolina, Charleston U.S. Vegetable Laboratory	1988 Feasibility	50,000	Contract for the feasibility study will be awarded the third quarter of FY 1988 and will be completed the first quarter of FY 1989.
Texas, Houston Children's Nutrition Research Center	1984 Plans 1984 Construction Total	5,500,000 49,000,000 <u>54,500,000</u>	Construction for the superstructure was awarded in the fourth quarter of FY 1986. All work is scheduled for completion in the third quarter of FY 1988.
Agricultural Bio- technology Facility, Houston, Texas	1988 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Texas, Lubbock Plant Stress and Water Conservation Laboratory	1978 Feasibility Study 1979 Plans 1984 Plans Total	100,000 800,000 500,000 <u>1,400,000</u>	The project is on hold since a lease agreement for the site has not been finalized and construction funding is not available. Design of the central laboratory is complete. Design of the headhouse/greenhouse and some necessary redesign to the central laboratory (due to site location change) are on hold.

Status of Construction Projects as of January 1988 (Cont.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Vermont <u>Stafford-Aiken Center</u> for Microbiology	1988 Construction	2,200,000	Project will be handled through a grant process by the Cooperative State Research Service.
Virginia, Blacksburg <u>Agricultural Biotech-</u> nology Center, Virginia Polytechnic Institute	1988 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Virginia, Leesburg <u>Equine Medical Center</u> Isolation Unit, Virginia-Maryland College of Veterinary Medicine	1988 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Washington, Pullman <u>Food and Nutrition</u> Facility, Washington State University	1988 Construction	5,540,000	Project will be handled through a grant process by the Cooperative State Research Service.
Washington, Spokane <u>Regional Center for</u> Information Technology, Gonzaga University	1988 Planning and Construction	7,500,000	Project will be handled through a grant process by the Cooperative State Research Service.
Washington, Yakima <u>U.S. Fruit and</u> Vegetable Laboratory	1988 Plans	1,000,000	Process to select A-E for design to begin in the second quarter of FY 1988. A-E contract award projected for the fourth quarter of FY 1988.
West Virginia, <u>Morgantown</u> Poultry Laboratory, West Virginia University	1988 Plans	375,000	Project will be handled through a grant process by the Cooperative State Research Service.

Status of Construction Projects as of January 1988 (Cont.)

Footnotes:

- (a) Program funds in the amount of \$2,187,000 were reprogrammed to fund additional costs for this project.
- (b) Program funds in the amount of \$1,490,748 were reprogrammed to fund additional costs to purchase building equipment for this project.
- (c) \$194,000 was redirected from the air pollution abatement and sewage treatment project to provide funds for pollution abatement facilities in the animal and laboratory project as originally planned. An additional \$100,000 has been redirected into the animal and laboratory projects from program funding.
- (d) Due to cost escalation and to provide funds to complete facilities as originally planned and designed at the Beckley, West Virginia project and the Plum Island animal and laboratory project, funds in the amount of \$2,209,000, were redirected from Kearneysville, West Virginia. \$1,509,000 was transferred to Beckley and \$700,000 to PIADC.
- (e) Program funds in the amount of \$900,000 were reprogrammed to fund additional costs for this project.

AGRICULTURAL RESEARCH SERVICE

Passenger Motor Vehicles

The 1989 Budget Estimate does not include the purchase of additional passenger motor vehicles above the 472 passenger motor vehicles presently owned.

The passenger motor vehicles of Agricultural Research Service are used almost exclusively by professional research investigators and technical consultants. In the course of their daily work these personnel may need to travel to individual farms, ranches, commercial firms, State agricultural experiment stations, etc. In this type of work a high degree of mobility is required. Use of common carriers is seldom feasible.

It is the policy of ARS to pool the use of motor vehicles for different activities in order to keep the number of vehicles to a minimum and reduce overall costs of maintenance. Monthly vehicle operation reports are required and periodic surveys are made to determine the extent to which vehicles are being used and their condition.

Replacement of passenger motor vehicles.

It is proposed to replace 118 of 472 vehicles (including 8 buses) currently in operation. These vehicles are located at field stations and are used in connection with research studies and technical assistance. All vehicles proposed for replacement have a mileage of more than 60,000 and are more than 6 years of age.

Age and Mileage Data for passenger-carrying vehicles on hand as of September 30, 1987.

<u>Age-Year Model</u>	<u>Number of Vehicles*</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (thousands)</u>	<u>Number of Vehicles*</u>	<u>Percent of Total</u>
1982-older	222	47	80-over	37	8
1983	70	15	60-80	86	18
1984	76	16	40-60	119	25
1985	30	6	20-40	103	22
1986	35	8	Under 20	127	27
1987	39	8			
Total	472	100		472	100

*Includes 6 vehicles used in foreign countries and 8 buses.

Aircraft

The Agency currently maintains a fleet of seven aircraft, located at College Station, Texas, and Weslaco, Texas. These specially modified and equipped research aircraft are used in pest control methods, application of agricultural materials, radar tracking of airborne insect migration, infrared and color photography, and evaluating effects of weather on agriculture. After a careful review of program and anticipated maintenance costs and requirements of the aircraft, it has been determined that one of the seven aircraft can be declared excess to Agency needs at College Station, Texas.

ARS may need to acquire a replacement aircraft to carry out the needs of the Pesticide Application Technology Research Program at Stoneville, Mississippi. This new program was authorized in the FY 1988 appropriation process.

COOPERATIVE STATE RESEARCH SERVICE

Purpose Statement

Cooperative State Research Service is the U.S. Department of Agriculture's principal entree to the university system of the United States for the purpose of conducting agricultural research as authorized by the Hatch Act of 1887, as amended (7 U.S.C. 361a-361i); the Cooperative Forestry Research Act of 1962, as amended (16 U.S.C. 582a-7); Public Law 89-106, Section (2), as amended (7 U.S.C. 450i); and the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended (7 U.S.C. 3101 et seq.). Through these authorities, the U.S. Department of Agriculture participates with State and other sources of funding to encourage and assist the State institutions in the conduct of agricultural research through the State Agricultural Experiment Stations of the 50 States and the territories; by approved Schools of Forestry; the 1890 Land-Grant Institutions and Tuskegee University; Colleges of Veterinary Medicine; and other eligible institutions.

Cooperative State Research Service participates in a nationwide system of agricultural research program planning and coordination among the State institutions, U.S. Department of Agriculture and the agricultural industry of America. Program coordination and planning are carried out by a Cooperative State Research Service staff located entirely in the Washington, D.C. area. This headquarters unit serves more than 12,000 scientists in the university system of the United States. As of September 30, 1987, there were 149 full-time employees and 18 other than full-time employees.

COOPERATIVE STATE RESEARCH SERVICE

Available Funds and Staff-Years

1987 Actual and Estimated, 1988 and 1989

Item	1987 Actual	Staff: Years	1988 Estimated	Staff: Years	1989 Estimated	Staff: Years
Cooperative State Research Service....	:349,273,000	: 145	:306,254,000	: 145	:257,489,000	: 145
Buildings and Facilities.....	: 30,200,000	: - -	: - -	: - -	: - -	: - -
Total, Direct Appropriation.....	:379,473,000	: 145	:306,254,000	: 145	:257,489,000	: 145
Obligations under other USDA	:	:	:	:	:	:
appropriations:	:	:	:	:	:	:
Agricultural Research Service:	:	:	:	:	:	:
Office of Agricultural Biotechnology:	35,000	: - -	- -	: - -	- -	: - -
Human Nutrition Research and	:	:	:	:	:	:
Information Service (HNRIS).....	7,351	: - -	- -	: - -	- -	: - -
Office of Small Scale Agriculture...	18,965	: - -	70,312	: - -	70,312	: - -
Council for Agricultural Science	:	:	:	:	:	:
and Technology (CAST).....	12,500	: - -	12,500	: - -	12,500	: - -
Office of Special Projects and	:	:	:	:	:	:
Program Systems.....	10,120	: - -	18,542	: - -	18,542	: - -
Evaluations Studies.....	278,000	: - -	400,000	: - -	400,000	: - -
Animal and Plant Health Inspection	:	:	:	:	:	:
Service, Office of Agricultural	:	:	:	:	:	:
Biotechnology.....	35,000	: - -	- -	: - -	- -	: - -
Commodity Credit Corporation,	:	:	:	:	:	:
Combustion Engine Research.....	500,000	: - -	- -	: - -	- -	: - -
Extension Service:	:	:	:	:	:	:
Pacific Islands Institutions Study..	4,000	: - -	- -	: - -	- -	: - -
Striped Bass Project.....	38,200	: - -	- -	: - -	- -	: - -
Office of Special Projects and	:	:	:	:	:	:
Program Systems.....	10,120	: - -	18,542	: - -	18,542	: - -
Farmers Scholarship Grant Program...	300,000	: - -	- -	: - -	- -	: - -
Food Science and Inspection Service,	:	:	:	:	:	:
Office of Agricultural Biotechnology:	20,000	: - -	- -	: - -	- -	: - -
Various agencies sharing cost of	:	:	:	:	:	:
USDA Small Business Innovation	:	:	:	:	:	:
Research Program (SBIR).....	240,738	: - -	252,175	: - -	247,800	: - -
Various research agencies sharing	:	:	:	:	:	:
cost of Current Research Information:	:	:	:	:	:	:
System (CRIS).....	690,000	: 8	721,500	: 8	721,500	: 8
Miscellaneous Reimbursements.....	15,748	: - -	1,237,684	: - -	1,572,831	: - -
Total, Other USDA Appropriations...	2,215,742	: 8	2,731,255	: 8	3,062,027	: 8
Total Agriculture Appropriations...	:381,688,742	: 153	:308,985,255	: 153	:260,551,027	: 153
Other Federal Funds:	:	:	:	:	:	:
AID-PASA, Nitrogen fixation.....	549,643	: - -	241,072	: - -	250,000	: - -
AID-PASA, International Research	:	:	:	:	:	:
Centers.....	556,940	: - -	775,000	: - -	775,000	: - -
Forest Service:	:	:	:	:	:	:
Office of Agricultural Biotechnology:	35,000	: - -	- -	: - -	- -	: - -
Atmospheric deposition	22,000	: - -	73,912	: - -	73,912	: - -

	: 1987	: 1988	: 1989
	: Actual	: Estimated	: Estimated
Item	: Amount	: Staff: : Years:	: Staff: : Years:
Department of Interior:			
Geological Survey, Atmospheric deposition.....	142,000	: - -	: 421,639 : - -
National Park Service:			
Atmospheric deposition.....	10,000	: - -	: 20,000 : - -
River recreation research.....	20,075	: - -	: - - : - -
Bureau of Land Management,			
Atmospheric deposition.....	88,000	: - -	: 77,344 : - -
Smithsonian Institution, Flowering research.....	3,600	: - -	: - - : - -
Department of Defense, Guayule	1,144,000	: - -	: 339,700 : - -
Department of Commerce, NOAA,			
Atmospheric deposition.....	13,000	: - -	: 79,674 : - -
Tennessee Valley Authority,			
Atmospheric deposition.....	- -	: - -	: 15,392 : - -
Environmental Protection Agency,			
Atmospheric deposition.....	- -	: - -	: 25,012 : - -
Total, Other Federal Funds.....	2,584,258	: - -	: 2,068,745 : - -
Total, Cooperative State Research Service.....	384,273,000	: 153	: 311,054,000 : 153

	1987 Actual	1988 Estimated	1989 Estimated
Full-Time Equivalent Staff-Years:			
Ceiling.....	150	150	150
Non-ceiling.....	3	3	3
Total.....	153	153	153
	=====	=====	=====

COOPERATIVE STATE RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1987 and Estimated 1988 and 1989

Grade	: 1987	: : 1988	: : 1989
	: Headquarters	: : Headquarters	: : Headquarters
ES-6	: 1	: : 1	: : 1
ES-5	: 1	: : 1	: : 1
ES-4	: 2	: : 2	: : 2
GS-16	: 1	: : 1	: : 1
GS/GM-15	: 28	: : 28	: : 28
GS/GM-14	: 15	: : 15	: : 15
GS/GM-13	: 10	: : 10	: : 10
GS-12	: 14	: : 14	: : 14
GS-11	: 8	: : 8	: : 8
GS-9	: 13	: : 13	: : 13
GS-8	: 3	: : 3	: : 3
GS-7	: 23	: : 23	: : 23
GS-6	: 22	: : 22	: : 22
GS-5	: 12	: : 12	: : 12
GS-4	: 11	: : 11	: : 11
GS-3	: 2	: : 2	: : 2
Total Permanent Positions ...	: 166	: : 166	: : 166
Staff Years:			
Ceiling.....	: 150	: : 150	: : 150
Non-ceiling ...	: 3	: : 3	: : 3
Total.....	: 153	: : 153	: : 153

COOPERATIVE STATE RESEARCH SERVICE

CLASSIFICATION BY OBJECTS

1987 and Estimated 1988 and 1989

	1987	1988	1989
Personnel Compensation:			
Headquarters.....	\$5,678,709	\$5,855,000	\$5,884,000
Field.....	- -	- -	- -
11 Total Personnel Compensation.....	5,678,709	5,855,000	5,884,000
12 Personnel Benefits.....	575,407	709,000	729,000
13 Benefits for former personnel.....	3,022	3,000	3,000
Total Pers. Comp. & Benefits..	6,257,138	6,567,000	6,616,000
Other Objects:			
21 Travel.....	619,389	924,000	942,000
22 Transportation of things..	52,593	54,000	55,000
23.3 Communications, utilities & miscellaneous charges	815,694	338,000	344,000
24 Printing and reproduction.	143,981	147,000	150,000
25 Other services	1,885,666	3,549,000	813,000
26 Supplies and materials ...	109,304	111,000	114,000
31 Equipment	112,137	114,000	117,000
41 Grants, subsidies and contributions	335,864,202	325,900,000	248,338,000
Total other objects.....	339,602,966	331,137,000	250,873,000
Total direct obligations	345,860,104	337,704,000	257,489,000
Position Data:			
Average Salary, ES positions .	\$74,950	\$74,950	\$74,950
Average Salary, GS/GM positions	\$35,094	\$35,506	\$35,506
Average Grade, GS/GM positions	9.73	9.73	9.73

COOPERATIVE STATE RESEARCH SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Cooperative State Research Service:

- For payments to agricultural experiment stations, for cooperative forestry and other research, for facilities, and for other expenses, including \$155,545,000 to carry into effect the provisions of the Hatch Act, approved March 2, 1887, as amended by the Hatch approved August 11, 1955 (7 U.S.C. 361a-361i), and further amended by Public Law 92-318 approved June 23, 1972, and further amended by Public Law 93-471 approved October 26, 1974, including administration by the United States Department of Agriculture, and penalty mail costs of agricultural experiment stations under section 6 of the Hatch Act of 1887, as amended, and payments under section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.); [\$17,500,000] \$12,975,000 for grants for cooperative forestry research under the Act approved October 10, 1962 (16 U.S.C. 582a--582a-7), as amended by Public Law 92-318 approved June 23, 1972, including administrative expenses, and payments under section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.); [\$23,333,000] \$25,333,000 for payments to the 1890 land-grant colleges, including Tuskegee University, for research under section 1445 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (Public Law 95-113), as amended, including administration by the United States Department of Agriculture, and penalty mail costs of the 1890 land-grant colleges, including Tuskegee University; [\$31,185,000] \$4,977,000 for contracts and grants for agricultural research under the Act of August 4, 1965, as amended (7 U.S.C. 450i); [\$42,372,000] \$54,500,000 for competitive research grants, including administrative expenses;
- 1 [\$5,476,000 for the support of animal health and disease programs authorized by section 1433 of Public Law 95-113, including administrative expenses; \$675,000] \$391,000 for supplemental and alternative crops and products as authorized by the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3319d); [\$4,918,000] \$668,000 for
 - 2 grants [for research and construction of facilities] to conduct research pursuant to the Critical Agricultural Materials Act of 1984 (7 U.S.C. 178); [and section 1472 of the Food and Agriculture Act of 1977, as amended (7 U.S.C. 3318), to remain available until expended; \$475,000 for rangeland research grants as authorized by Subtitle M of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended; \$4,754,000] \$2,000,000 for higher education grants under section 1417(a) of
 - 3 Public Law 95-113, as amended (7 U.S.C. 3152(a)); [\$3,500,000 for grants as authorized by section 1475 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 and Other Acts; \$3,827,000 for grants to States for the establishment and operation of international trade development centers, as authorized by the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended, (7 U.S.C. 3292); \$3,900,000 for low-input agriculture as authorized by the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 4701-4710); \$2,100,000 for other grants as authorized by section 1471 of the Food and Agriculture Act of 1977 (7 U.S.C. 3318); and \$4,094,000] and \$1,100,000 for necessary expenses of Cooperative State Research Service activities, including coordination and program leadership for higher education work of the Department, administration of payments to State agricultural experiment stations, funds for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$100,000 for employment under 5 U.S.C. 3109; in
 - 4 all [\$303,654,000] \$257,489,000: Provided, That no funds shall be available in fiscal year 1989 for payments under the Act of August 30, 1890 and the tenth and eleventh paragraphs under the heading "Emergency Appropriations." of the Act of March 4, 1907 (7 U.S.C. 321 et seq.).

The first change deletes language for animal health and disease research program authorized by section 1433 of Public Law 95-113. No funding is proposed for this program in fiscal year 1989.

The second change deletes language for construction authorized by the Critical Agricultural Materials Act of 1984, and rangeland research grants as authorized by Subtitle M of Public Law 95-113. No funding is proposed for these programs in fiscal year 1989.

The third change deletes language for grants for the aquaculture centers as authorized by section 1475 of P.L. 95-113, grants for international trade development centers as authorized by section 1458A of P.L. 95-113, grants for low-input agriculture as authorized by Subtitle C of P.L. 99-198, and other grants as authorized by section 1472 of Public Law 95-113. No funding is proposed for these programs in fiscal year 1989.

The fourth change would provide language to override the Morrill-Nelson Permanent Appropriation. No funding is proposed for this program in fiscal year 1989. Higher education in the food and agricultural sciences at land-grant institutions has been supported through a permanent appropriation in the Second Morrill Act of 1890.

COOPERATIVE STATE RESEARCH SERVICE

Appropriation Act, 1988	\$303,654,000
Morrill-Nelson	2,600,000
Total, Appropriation Act, 1988	<u>306,254,000</u>
Budget Estimate, 1989	257,489,000
Decrease in Appropriation	<u>-48,765,000</u>
	=====

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Payments under the Hatch Act .	\$155,545,000	- -	- -	\$155,545,000
Cooperative forestry research.	17,500,000	- -	-\$4,525,000	12,975,000
Payments to 1890 colleges and Tuskegee University	23,333,000	- -	+2,000,000	25,333,000
Special research grants	50,580,000	- -	-44,544,000	6,036,000
Competitive research grants ..	42,372,000	- -	+12,128,000	54,500,000
Animal health and disease research, Section 1433	5,476,000	- -	-5,476,000	- -
Federal administration (direct appropriation)	4,094,000	+\$128,000	-3,122,000	1,100,000
Higher Education	<u>7,354,000</u>	<u>- -</u>	<u>-5,354,000</u>	<u>2,000,000</u>
Total Available	<u>306,254,000</u>	<u>+128,000</u>	<u>-48,893,000</u>	<u>257,489,000</u>
	=====	=====	=====	=====

PROJECT STATEMENT
(On basis of appropriation)

Project	1987 Actual		1988 Estimated		Increase or Decrease	1989 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Hatch Act							
Research program:							
Formula funds	\$109,417,719		\$114,941,948		- -	\$114,941,948	
Regional research.	34,370,313		36,172,313		- -	36,172,313	
Subtotal	143,788,032		151,114,261		- -	151,114,261	
Penalty Mail	490,203		- -		- -	- -	
Federal Admin. (3%)	2,350,869		4,430,739		- -	4,430,739	
Total	146,629,104	65	155,545,000	62	- -	155,545,000	64
2. Cooperative Forestry							
Research:							
Research program ..	12,039,640		16,975,000		-\$4,389,250	12,585,750	
Federal Admin. (3%)	372,360		525,000		-135,750	389,250	
Total	12,412,000	4	17,500,000	4	-4,525,000 (1)	12,975,000	4
3. Payments to 1890							
Colleges & Tuskegee							
University:							
Research program ..	21,650,400		22,633,010		+1,940,000	24,573,010	
Federal Admin. (3%)	669,600		699,990		+60,000	759,990	
Total	22,320,000	8	23,333,000	8	+2,000,000 (2)	25,333,000	8
4. Special Research							
Grants:							
Acid precipitation ..	661,000		661,000		- -	661,000	
Agricultural diversi-							
fication & specialty:							
crops, Hawaii	- -		156,000		-156,000	- -	
Agricultural Policy							
Institute, Iowa &							
Missouri	357,000		425,000		-425,000	- -	
Alternative cropping							
systems in the							
Southeast, S. Carolina:	285,000		285,000		-285,000	- -	
Alternative fuels,							
North Dakota	- -		370,000		-370,000	- -	
Animal health							
research	5,705,000		5,705,000		-5,705,000	- -	
Apple quality re-							
search, Michigan ..	95,000		95,000		-95,000	- -	
Aquaculture research							
(general)	485,000		660,000		-660,000	- -	
Aquaculture, Stone-							
ville, Mississippi:	400,000		500,000		-500,000	- -	
Asparagus yield							
decline, Michigan ..	95,000		95,000		-95,000	- -	
Bean and beet re-							
search, Michigan ..	93,000		93,000		-93,000	- -	
Belgian endive, Mass.:	60,000		60,000		-60,000	- -	
Biocontrol of grass-							
hoppers, Kansas ...	48,000		48,000		-48,000	- -	
Biomass from dairy							
processing waste,							
Missouri	285,000		285,000		-285,000	- -	
Blueberry shoestring							
virus, Michigan ...	92,000		92,000		-92,000	- -	
Cranberry/blueberry							
disease & breeding,							
New Jersey	95,000		260,000		-260,000	- -	
Dairy & beef photo-							
period, Michigan ..	33,000		33,000		-33,000	- -	
Dairy goat research,							
Prairie View A&M,							
Texas	95,000		95,000		-95,000	- -	
Dark-end syndrome of							
potatoes	150,000		150,000		-150,000	- -	

Project	1987 Actual		1988 Estimated		Increase or Decrease	1989 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Dried bean research, North Dakota	\$75,000	:	\$75,000	:	-\$75,000	- -	:
EDB replacement, Hawaii	285,000	:	285,000	:	-285,000	- -	:
Environmental contamination, North Dakota:	- -	:	500,000	:	-500,000	- -	:
Food Marketing Policy Center, Connecticut:	- -	:	150,000	:	-150,000	- -	:
Food processing, Mississippi	- -	:	195,000	:	-195,000	- -	:
Food systems group, Wisconsin	148,000	:	148,000	:	-148,000	- -	:
Fruit & vegetable production & marketing, Kentucky	142,000	:	142,000	:	-142,000	- -	:
Integrated pest management	2,940,000	:	2,940,000	:	-2,940,000	- -	:
Integrated production systems, Oklahoma	188,000	:	188,000	:	-188,000	- -	:
Integrated reproduction management, Nebraska	95,000	:	95,000	:	-95,000	- -	:
International livestock program, Kansas	95,000	:	95,000	:	-95,000	- -	:
Low-input agric., Minnesota	- -	:	100,000	:	-100,000	- -	:
Maple research, Vermont	95,000	:	100,000	:	-100,000	- -	:
Milk consumption, Pennsylvania	285,000	:	285,000	:	-285,000	- -	:
Minor use animal drugs	229,000	:	229,000	:	- -	\$229,000	:
Mosquito research, riceland agroecosystem	456,000	:	456,000	:	-456,000	- -	:
Multi-cropping strategies for aquaculture, Hawaii ...	152,000	:	152,000	:	-152,000	- -	:
National Biological Impact Assessment Program	- -	:	- -	:	+250,000	250,000	:
Native wildflowers, New Mexico	- -	:	50,000	:	-50,000	- -	:
New uses for agricultural products, Ohio:	- -	:	133,000	:	-133,000	- -	:
Peach tree short life, South Carolina:	183,000	:	183,000	:	-183,000	- -	:
Pesticide clearance.	1,369,000	:	1,369,000	:	- -	1,369,000	:
Pesticide impact assessment	1,968,000	:	1,968,000	:	+500,000	2,468,000	:
Potato research	761,000	:	997,000	:	-997,000	- -	:
Poultry research, Arkansas	- -	:	500,000	:	-500,000	- -	:
Preservation and processing, Oklahoma .	242,000	:	267,000	:	-267,000	- -	:
Prime farmland reclamation, Illinois & Kentucky	300,000	:	450,000	:	-450,000	- -	:
Remote sensing, Kansas	191,000	:	191,000	:	-191,000	- -	:
Rural development centers	363,000	:	475,000	:	-475,000	- -	:
Sandhills grazing management practices: Nebraska	- -	:	100,000	:	-100,000	- -	:
Soil erosion in Pacific Northwest .	591,000	:	591,000	:	-591,000	- -	:

Project	1987 Actual		1988 Estimated		Increase or Decrease	1989 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Southwest Consortium :	:	:	:	:	:	:	:
for plant genetics & :	:	:	:	:	:	:	:
water resources ... :	\$385,000	:	\$385,000	:	-\$385,000	- -	:
Soybean cyst nema- :	:	:	:	:	:	:	:
tode, Missouri :	285,000	:	285,000	:	-285,000	- -	:
Stone fruit decline, :	:	:	:	:	:	:	:
Michigan :	285,000	:	285,000	:	-285,000	- -	:
Stored grain insects, :	:	:	:	:	:	:	:
Kansas :	285,000	:	285,000	:	-285,000	- -	:
Sugarland use :	:	:	:	:	:	:	:
research, Hawaii .. :	142,000	:	- -	:	- -	- -	:
Sunflower insects, :	:	:	:	:	:	:	:
North Dakota and :	:	:	:	:	:	:	:
South Dakota :	190,000	:	190,000	:	-190,000	- -	:
TCK smut (wheat) ... :	193,000	:	193,000	:	-193,000	- -	:
Tropical & sub- :	:	:	:	:	:	:	:
tropical research . :	3,091,000	:	3,091,000	:	-3,091,000	- -	:
Wool research, Texas :	142,000	:	142,000	:	-142,000	- -	:
Wood utilization ... :	2,852,000	:	2,852,000	:	-2,852,000	- -	:
Federal Admin. (4%) :	(1,121,480)	:	(1,247,400)	:	(-1,048,320)	(\$199,080)	:
Total :	28,037,000	:	31,185,000	:	-26,208,000	\$4,977,000	:
Critical Agricultural :	:	:	:	:	:	:	:
Materials Act of 1984 :	:	:	:	:	:	:	:
Research and con- :	:	:	:	:	:	:	:
struction program. :	19,756,960	:	4,770,460	:	-4,122,500	647,960	:
Federal Admin. (3%) :	611,040	:	147,540	:	-127,500	20,040	:
Total :	20,368,000	:	4,918,000	:	-4,250,000	668,000	:
Rangeland Research :	:	:	:	:	:	:	:
Grants (Subtitle M): :	:	:	:	:	:	:	:
Research program .. :	460,750	:	460,750	:	-460,750	- -	:
Federal Admin. (3%) :	14,250	:	14,250	:	-14,250	- -	:
Total :	475,000	:	475,000	:	-475,000	- -	:
Aquaculture Centers, :	:	:	:	:	:	:	:
Section 1475: :	:	:	:	:	:	:	:
Research program .. :	2,910,000	:	3,395,000	:	-3,395,000	- -	:
Federal Admin. (3%) :	90,000	:	105,000	:	-105,000	- -	:
Total :	3,000,000	:	3,500,000	:	-3,500,000	- -	:
International Trade :	:	:	:	:	:	:	:
Centers, Sec. 1458A: :	:	:	:	:	:	:	:
Program :	1,940,000	:	4,876,190	:	-4,876,190	- -	:
Federal Admin. (3%) :	60,000	:	150,810	:	-150,810	- -	:
Total :	2,000,000	:	5,027,000	:	-5,027,000	- -	:
Other Agreements, :	:	:	:	:	:	:	:
Section 1472: :	:	:	:	:	:	:	:
Program :	150,000	:	2,037,000	:	-2,037,000	- -	:
Federal Admin. (3%) :	- -	:	63,000	:	-63,000	- -	:
Total :	150,000	:	2,100,000	:	-2,100,000	- -	:
Agric. Productivity, :	:	:	:	:	:	:	:
Subtitle C: :	:	:	:	:	:	:	:
Program :	- -	:	3,783,000	:	-3,783,000	- -	:
Federal Admin. (3%) :	- -	:	117,000	:	-117,000	- -	:
Total :	- -	:	3,900,000	:	-3,900,000	- -	:
Supplemental and :	:	:	:	:	:	:	:
Alternative Crops, :	:	:	:	:	:	:	:
Sec. 1473D: :	:	:	:	:	:	:	:
Program :	- -	:	654,750	:	-275,480	379,270	:
Federal Admin. (3%) :	- -	:	20,250	:	-8,520	11,730	:
Total :	- -	:	675,000	:	-284,000	391,000	:
Total :	54,030,000	19	51,780,000	19	-45,744,000 (3)	6,036,000	19

Project	1987 Actual		1988 Estimated		Increase or Decrease	1989 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
5.Competitive Research Grants:							
Plant science	\$12,126,000		\$12,126,000		- -	\$12,126,000	
Soybean research ..	(493,000)		(493,000)		(-\$493,000)	- -	
Alcohol fuels	(514,000)		(514,000)		(-\$514,000)	- -	
Biotechnology	- -		(5,000,000)		(-\$5,000,000)	- -	
Plant Science Centers:	- -		- -		+3,358,000	3,358,000	
Human nutrition	2,377,000		2,377,000		+623,000	3,000,000	
Animal science.....	4,279,000		6,000,000		+1,000,000	7,000,000	
Brucellosis	(475,000)		(475,000)		(-\$475,000)	- -	
Reproductive effi- ciency	(2,377,000)		(2,377,000)		(-\$2,377,000)	- -	
Pest science	2,853,000		2,853,000		-2,853,000	- -	
Gypsy moths	(951,000)		(951,000)		(-\$951,000)	- -	
Boll weevil/boll worm	(951,000)		(951,000)		(-\$951,000)	- -	
Pine bark beetle ..	(951,000)		(951,000)		(-\$951,000)	- -	
Biotechnology (animal & plant) ..	19,016,000		19,016,000		+2,600,000	21,616,000	
Stratospheric ozone:	- -		- -		+7,400,000	7,400,000	
Federal Admin. (4%):	(1,626,040)		(1,694,880)		(+\$485,120)	(2,180,000)	
Total	40,651,000	41	42,372,000	41	+12,128,000 (4):	54,500,000	41
6.Animal Health and Disease Research, Section 1433:							
Research program ...	5,256,960		5,256,960		-5,256,960	- -	
Federal Admin. (4%):	219,040		219,040		-219,040	- -	
Total	5,476,000	2	5,476,000	2	-5,476,000 (5):	- -	- -
7.Federal Administra- tion (Direct Appro.):							
Gulf Coast shrimp aquaculture	2,036,000		2,236,000		-2,236,000	- -	
Mississippi Valley State University ..	750,000		625,000		-625,000	- -	
Ag in the Classroom:	74,000		74,000		- -	74,000	
Other	70,000		- -		- -	- -	
Office of Grants and Program Systems ...	- -		659,000		-261,000	398,000	
Office of Agricul- tural Biotechnology:	- -		250,000		- -	250,000	
Federal Employee Retirement System .	- -		103,000		- -	103,000	
Pay costs	- -		147,000		+128,000	275,000	
Total	2,930,000	1	4,094,000	4	-2,994,000 (6):	1,100,000	4
8.1890 Research Facilities:							
Construction program:	9,127,680		- -		- -	- -	
Federal Admin. (4%):	380,320		- -		- -	- -	
Total	9,508,000	- -	- -	- -	- -	- -	- -
9.Higher Education:							
Morrill-Nelson Funds (Permanent Appro.):	2,800,000		2,600,000		-2,600,000	- -	
Graduate Training Grants	2,852,000		2,852,000		-2,852,000	- -	
Strengthening Grants 1890 Colleges	1,902,000		1,902,000		+98,000	2,000,000	
Federal Admin. (3%):	(142,620)		(142,620)		(-\$82,620)	(60,000)	
Total	7,554,000	5	7,354,000	5	-5,354,000 (7):	2,000,000	5
10.Forestry Competitive Grants:							
Research program ..	5,760,000		- -		- -	- -	
Federal Admin. (4%):	240,000		- -		- -	- -	
Total	6,000,000	- -	- -	- -	- -	- -	- -

Project	1987 Actual Amount	Staff: Years	1988 Estimated Amount	Staff: Years	Increase or Decrease	1989 Estimated Amount	Staff: Years
11. Research Facilities							
Act:							
Construction program:	\$1,940,000		- -		- -	- -	
Federal Admin. (3%)	60,000		- -		- -	- -	
Total	2,000,000	- -	- -	- -	- -	- -	- -
12. Buildings and Facilities:							
Program	35,259,500		\$29,342,500		-\$29,352,500	- -	
Federal Admin. (3%)	1,090,500		907,500		-907,500	- -	
Total	36,350,000	- -	30,250,000	- -	-30,250,000	- -	
Total obligations	345,860,104	145	337,704,000	145	-80,215,000	\$257,489,000	145
Unobligated Balances:							
Lapsing	2,162,896	- -	- -	- -	- -	- -	- -
Available, start of year	- -	- -	-31,450,000	- -	+31,450,000	- -	- -
Available, end of year	31,450,000	- -	- -	- -	- -	- -	- -
Total available or estimate	379,473,000	145	306,254,000	145	-48,765,000	257,489,000	145
Transfer from Agricul- tural Research Service	-36,400,000	- -	- -	- -			
Transfer from Forest Service	-6,000,000	- -	- -	- -			
Total, appropriation ..	337,873,000	145	306,254,000	145			

EXPLANATION OF PROGRAM

Appropriations for the Cooperative State Research Service activities are authorized under the following Acts:

1. Payments to agricultural experiment stations under the Hatch Act

Agricultural Experiment Stations Act of August 11, 1955, Hatch Act of 1887 as amended - 7 U.S.C. 361a-361i, Public Law 92-318; Public Law 93-471; Public Law 95-113, as amended; Public Law 95-134; Public Law 96-205; Public Law 96-374; Public Law 96-597; Public Law 97-98; Public Law 98-213; Public Law 98-454; Public Law 99-198; Public law 99-396.

Funds under the Hatch Act are allocated to the State Agricultural Experiment Stations of the 50 States, District of Columbia, Puerto Rico, Guam, the Virgin Islands, Micronesia, American Samoa, and Northern Mariana Islands for research to promote a sound and prosperous agriculture and rural life. The Hatch Act provides that the distribution of Federal payments to States for fiscal year 1955 shall become a fixed base and that any sums appropriated in excess of the 1955 level shall be distributed in the following manner:

- 20% shall be allotted equally to each State.
- not less than 52% shall be allotted to the States as follows:
 - one-half in an amount proportionate to the relative rural population of each State to the total rural population of all States, and
 - one-half in an amount proportionate to the relative farm population of each State to the total farm population of all States.
- not more than 25% shall be allotted to the States for cooperative research in which two or more State Agricultural Experiment Stations are cooperating to solve problems that concern the agriculture of more than one State.
- 3% shall be available to the Secretary of Agriculture for the administration of this Act.

The Act also provides that any amount in excess of \$90,000 available for allotment to any State, exclusive of the regional research fund, shall be matched by the State out of its own funds available for research, and for the establishment and maintenance of facilities necessary for the performance of such research. Also, in the case of Guam, the Virgin Islands, Micronesia, American Samoa, and Northern Mariana Islands, agencies are required by law to waive any requirement for local matching funds under \$200,000.

Three percent of funds appropriated under the Hatch Act is set-aside for Federal administration. Administration includes disbursement of funds and a continuous review and evaluation of the research programs of the State Agricultural Experiment Stations supported wholly or in part from Hatch funds. The Cooperative State Research Service encourages and assists in the establishment of cooperation within and between the States, and also actively participates in the planning and coordination of research programs between the States and the Department at the regional and national levels.

2. Cooperative Forestry Research - The Cooperative Forestry Research Act of October 10, 1962, 16 U.S.C. 582a-7; Public Law 96-374; Public Law 97-98; Public Law 99-198.

The Act authorizes funding of research in State institutions certified by a State representative designated by the governor of each State. The Act provides that appropriated funds be apportioned among States as determined by the Secretary after consultation with a national advisory council of not fewer than sixteen members representing Federal and State agencies concerned with developing and utilizing the Nation's forest resources, the forest industries, the forestry schools of the State-certified eligible institutions, State Agricultural Experiment Stations, and volunteer public groups concerned with forests and related natural resources. Determination of apportionments follows consideration of pertinent factors including areas of non-Federal commercial forest land, volume of timber cut from growing stock, and the non-Federal dollars expended on forestry research in the State. The Act also provides that payments must be matched by funds made available and budgeted from non-Federal sources by the certified institutions for expenditure for forestry research. Three percent of funds appropriated under this Act is set-aside for Federal administration.

3. Payments to 1890 Colleges and Tuskegee University - The National, Agricultural Research, Extension, and Teaching Policy Act of 1977, Section 1445, Public Law 95-113; Public Law 95-547; Public Law 97-98; Public Law 99-198.

Public law 95-113, as amended provides for support of continuing agricultural research at colleges eligible to receive funds under the Act of August 30, 1890, including Tuskegee University. Beginning with fiscal year 1979, there shall be appropriated funds for each fiscal year, an amount not less than 15% of the total for such year under Section 3 of the Act of March 2, 1887. Distribution of payments made available under section 2 of the Act of August 4, 1965, for fiscal year 1978 are a fixed base and sums in excess of the 1978 level shall be distributed as follows:

- 3% shall be available to the Secretary of Agriculture.
- Payments to States in fiscal year 1978 is a fixed base. Of funds in excess of this amount:
 - 20% shall be allotted equally to each State.
 - 40% shall be allotted in an amount proportionate to the rural population of the State in which the eligible institution is located to the total rural population of all the States in which eligible institutions are located, and
 - 40% shall be allotted in an amount proportionate to the farm population of the State in which the eligible institution is located to the total farm population of all the States in which eligible institutions are located.

Allotments to Tuskegee University and Alabama A&M University shall be determined as if each institution were in a separate State. Three percent of the funds appropriated under this Act is set-aside for Federal administration. This includes disbursements of funds and review and evaluation of research projects.

4. Special Research Grants- Section 2(c), Act of August 4, 1965, 7 U.S.C. 450i as amended by Public Law 95-113; Public Law 97-98; Public Law 98-284; Public Law 99-198.

Section 2 of the Act of August 4, 1965, as amended, authorizes Special Research Grants for periods not exceed five years to land-grant colleges and universities, research foundations established by land-grant colleges and universities, State Agricultural Experiment Stations, and to all colleges and universities having a demonstrable capacity in food and agriculture research, to carry out research to facilitate or expand promising breakthroughs in areas of the food and agricultural sciences of importance to the Nation; and to State Agricultural Experiment Stations, land-grant colleges and universities, research foundations established by land-grant colleges and universities, colleges and universities receiving funds under the Act of October 10, 1962, and accredited schools or colleges of

veterinary medicine, to facilitate or expand ongoing State-Federal food and agricultural research. Special Research Grants are awarded on the discretionary basis as well as using a competitive peer panel process in the selection of proposals to be funded.

Research grants are also awarded under the Critical Agricultural Materials Act, Public Law 98-284, as amended. Rangeland Research Grants are awarded in accordance with Subtitle M of Public Law 97-98. Grants are awarded to aquaculture centers under section 1475(d) of Public Law 95-113, as amended. Other research grants are awarded under section 1472 of Public Law 95-113, as amended. Grants for international trade development centers are awarded under section 1458A of Public Law 95-113. Grants for supplemental and alternative crops are awarded under section 1473D of Public Law 95-113. Low-input agricultural productivity research grants are awarded under Subtitle C of Public Law 99-198.

5. Competitive Research Grants - Section 2(b), Act of August 4, 1965, 7 U.S.C. 450i as amended by Public Law 95-113; Public Law 97-98, Public Law 99-198.

Section 2 of the Act of August 4, 1965, as amended authorizes Competitive Research Grants for periods not to exceed five years to State Agricultural Experiment stations, all colleges and universities, other research institutions and organizations, Federal agencies, private organizations or corporations, and individuals to further the programs of the Department of Agriculture. By obtaining the participation of outstanding researchers in the entire U.S. scientific community, emphasis will be placed on basic research critical to food production and human nutrition including biological stress of plants, genetic mechanisms of plants, plant nitrogen fixation, plant photosynthesis, plant science centers, human nutrient requirements, animal science, pest science, biotechnology, and stratospheric ozone.

6. Animal Health and Disease Research - The National Agricultural Research, Extension, and Teaching Policy Act of 1977, Section 1433, Public Law 95-113; Public Law 97-98; Public Law 99-198.

Section 1433 provides for support of livestock and poultry disease research in accredited schools or colleges of veterinary medicine or State Agricultural Experiment Stations that conduct animal health and disease research. These funds shall be distributed as follows:

- 4% shall be retained by the Department of Agriculture for administration, program assistance to the eligible institutions, and program coordination.
- 48% shall be distributed in an amount proportionate to the value of and income to producers from domestic livestock and poultry in each State to the total value of and income to producers from domestic livestock and poultry in all the States.
- 48% shall be distributed in an amount proportionate to the animal health research capacity of the eligible institutions in each State to the total animal health research capacity in all the States.

Eligible institutions must provide non-Federal matching funds in States receiving annual amounts in excess of \$100,000 under this authorization.

7. Federal Administration (direct appropriation) - Authority for direct appropriations is provided in the annual Agriculture, Rural Development, and Related Agencies Appropriations Act. These funds are used to provide support services in connection with research planning and coordination of all programs administered by Cooperative State Research Service
8. Grants to Upgrade 1890 Land-Grant Colleges Research Facilities - National Agricultural Research, Extension, and Teaching Policy Act Amendments of 1981, Section 1433, Public Law 97-98; Public Law 99-198.

Section 1433 of the Act authorizes \$50 million over a five year period ending September 30, 1987, for grants to the institutions eligible to receive funds under the Act of August 30, 1890, including Tuskegee University, for the acquisition and improvement of research facilities and equipment. Four percent of the sums appropriated shall be available to the Secretary for administration of the program. The remaining funds shall be available for grants to the eligible institutions for the purpose of assisting them in the purchase of equipment and land, and the planning, construction, alteration, or renovation of buildings to strengthen their capacity to conduct research in the food and agricultural sciences.

9. Higher Education - The National Agricultural Research, Extension, and Teaching Policy Act of 1977, Section 1417, Public Law 95-113; Public Law 97-98; Public Law 99-198.

Higher Education-Strengthening Grants pursuant to Section 1417(a)(2)(A) support resident instruction programs at historically black land-grant institutions and Tuskegee University. Higher Education-Graduate Training Grants pursuant to Section 1417(a)(3)(B) are awarded on a competitive basis to colleges and universities to conduct graduate training programs to stimulate the development of food and agricultural scientific expertise in targeted national need areas. Higher education in the food and agricultural sciences at the land-grant institutions is also supported through a permanent appropriation in the Second Morrill Act of 1890.

10. Forestry Competitive Grants - Forest and Rangeland Renewable Resources Research Act of 1978, Section 5, Public Law 95-307.

Section 5 of the Act authorizes competitive grants related to forest and rangeland renewable resources to Federal, State, and other governmental agencies, public or private agencies, institutions, universities, and organizations, and businesses and individuals in the United States. Emphasis is placed on basic research in the areas of harvesting, wood utilization, and forest biology.

11. Research Facilities - The Research Facilities Act of July 22, 1963, Public Law 88-74; as amended by Public Law 95-113; Public Law 97-98; Public Law 99-198.

The Act supports agricultural research at eligible institutions through Federal-grant funds on a matching fund basis to help finance physical facilities and equipment as required for the effective conduct of agricultural research and related academic programs. The purpose of this Act is to assist eligible institutions in the construction, acquisition, and remodeling of buildings, laboratories, and other capital facilities (including the acquisition of fixtures and equipment) which are necessary to more effectively conduct research.

12. Buildings and Facilities - In the Fiscal Year 1987 Appropriations Act, funds were appropriated to the Agricultural Research Service for Buildings and Facilities. Some of these funds were earmarked for facilities at specific universities. The appropriation language allowed for transfer of these funds to other accounts as may be appropriate and \$36.4 million was transferred to CSRS. CSRS is awarding grants for these facilities to the universities. In the Fiscal Year 1987 supplemental Appropriations Act, \$30.2 was appropriated to CSRS for Building and Facilities at designated universities.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$4,525,000 for payments to States under the formula provisions of the Cooperative Forestry Research program (\$17,500,000 available in 1988).

Need for Change. The Cooperative Forestry (McIntire-Stennis) Research program at land-grant and other State institutions is planned and directed to provide answers to questions that face forest and land owners and managers seeking to produce an adequate domestic timber supply with a diminishing land base while accommodating recreational, sport, esthetic, and environmental demands on the same land. State research institutions conduct forestry research under other authorizations which provide opportunity to respond to State, regional, and national priorities as appropriate. A portion of this program is proposed for elimination, however, the State Agricultural Experiment Stations and Forestry Schools have maximum flexibility under this program to tailor research according to specific needs and can continue to fund research in those areas that they identify as highest priority.

Nature of Change. Program objectives in the sixty-two participating institutions will be conducted at a reduced level. Ongoing Federal and State forestry research efforts will also continue under other authorizations.

- (2) An increase of \$2,000,000 at the 1890 Land-Grant Colleges and Tuskegee University for rural revitalization research emphasizing needs of small-scale farmers (\$23,333,000 available in 1988).

Need for Change. Small-scale agriculture is essential for its contribution to the vitality and the quality of life in rural America, if not for its contribution to aggregate agricultural production. Statistics clearly indicate that the number of small-scale farmers are increasing rather than decreasing. It is estimated that by the year 2000, 80 percent of the American farming population will be considered small-scale producers. Furthermore, most of these farmers will operate on a part-time basis; nevertheless, it is these farmers who will contribute significantly to both the social and economic base for rural America. Many of the 1890 institutions have unique strengths in the area of small-scale agriculture. Following a five-year program of facility modernization, these institutions have the capacity to fulfill an expanded role in research and training. This expanded program addresses the needs of the small-scale sector of agriculture and responds to guidance included in the President's Memorandum of July 24, 1987, placing a high priority on increased opportunities at historically black institutions of higher learning. If the viability of rural communities is to be maintained it is imperative that efforts be undertaken to improve the socioeconomic performance of these families which are engaged in and dependent on small-scale agriculture. These small-scale operations have been competing with large scale operators who have greater access to advanced technologies, management skills and the purchasing advantage of scale. More research is needed to identify livestock and crop enterprises that can be managed profitably on a small scale. In addition, the lack of appropriate technology, management and marketing skills also restricts the ability of small-scale producers to earn a profit, and thus support the well-being of rural communities. Furthermore, disease and insect pests and lack of resistant, adapted varieties of many of the minor crops contribute to low crop productivity. Therefore, there is need to develop appropriate research and technology to address these constraints of small-scale enterprises.

Nature of Change. Research is needed to develop alternative marketing systems and management strategies for small-scale agriculture; determine the economic feasibility of nontraditional crops and animal enterprises; develop research methods for assuring quality control standards for new animal products; determine the appropriate livestock/crop mix to maximize sustainable income; and determine the nutritional effects of new animal products on human health. Increased research is necessary to develop and evaluate new or improved germplasm for pest resistance and environmental stress; increase land use efficiency through intensive and multiple cropping; and improve crop management, post harvest quality and nutritive value of horticultural crops. In order for these objectives to be accomplished a multidisciplinary systems approach must be used to develop the strategies necessary for a highly profitable small scale agriculture.

- (3) A net decrease of \$45,744,000 for Special Research Grants, Critical Agricultural Materials Act, Rangeland Research Grants, Aquaculture Centers, Other Research Grants, International Trade Development Centers, Low-Input Agricultural Productivity Grants, and Alternative and Supplemental Crops Grants (\$51,780,000 available in 1988) consisting of:

- (a) An increase of \$500,000 for Pesticide Impact Assessment Special Research Grant (\$1,968,000 available in 1988).

Need for Change. Recent regulatory reforms resulting from concerns about the impact of pesticides on man and the environment have resulted in an EPA program to reregister all pesticides. This is a special review process in which information on materials requested under previous programs is examined to determine areas of missing or incomplete data. In order to make regulatory decisions, EPA requests these data from both the public and private sectors. The large number of chemicals on the market has necessitated an acceleration by EPA of the rate special reviews are initiated. Currently all fungicides are under review and there are indications that approximately thirty more pesticides will be under special review in 1988. The National Agricultural Pesticide Impact Assessment Program (NAPIAP) must be in a position to provide scientifically sound data on the impacts of these pesticides, not only as they relate to maintaining a strong agricultural economy but also human health and the environment.

Nature of Change. The increased funds will be used to support university scientists on additional assessment teams formed to meet the demands of these EPA special reviews. In addition these funds will be used to support research on innovative methods to assess pesticide impacts. Areas of emphasis would include computer models designed to examine the weight of various factors on profitability, calibration of modeling systems designed to predict movement of pesticides into groundwater, and use of electronic data systems to accelerate the data gathering process. The assessment team efforts and supporting research will place NAPIAP in a strong position to promote informed regulatory decisions on registered pesticides that significantly benefit U.S. agriculture without causing unreasonable adverse effects to humans or the environment.

- (b) An increase of \$250,000 for a Special Research Grant for the National Biological Impact Assessment Program (No funding available in 1988).

Need for Change. The National Biological Impact Assessment Program (NBIAP) is designed to utilize the high level of expertise and knowledge, available through the extensive national scientific network, to assess the impacts of biotechnology on human welfare and the environment. Using an existing infrastructure eliminates the creation of a duplicative research assessment mechanism. NBIAP will provide the information necessary to assure safety to health and the environment while facilitating responsible research in biotechnology.

Full development of the tremendous potential of biotechnology is critical to the future of U.S. agriculture, trade and food security. The realization of this potential depends upon adequate provisions for assessing and monitoring the impacts of biotechnological processes and products on human welfare and the environment. Research and regulatory oversight structures, designed to assure safety while facilitating responsible research in biotechnology, can function successfully only if adequate information is available. There is a critical need for research to improve the present knowledge base in this burgeoning field of science.

Nature of Change. The National Biological Impact Assessment Program has two objectives: to facilitate research designed to predict and monitor the performance of genetically engineered organisms in contained field experiments and in the ecosystem, and to serve as a focal point for the exchange of research and monitoring information relevant to agricultural biotechnology.

NBIAP activities will be conducted in three major areas; research, monitoring, and information exchange. The research activities of NBIAP will be focused on amplifying existing knowledge to further applications of biotechnology to the broad mission of agriculture. Research program elements include pre-released prediction of impacts, post release surveillance, and the development of new technology to provide for the most efficient and effective oversight of field tests; development of protocols and methodologies for releasing, sampling, and monitoring of genetically engineered organisms; and the development of information data bases.

The second element of NBIAP is surveillance of genetically engineered organisms in contained field tests and following their release as products into the environment. There is a need to track the movement and dispersal of these organisms, to monitor their performance and impact, and to be prepared to take immediate action in the event of an undesirable consequence. Surveillance requires a network of participating observers. This network must be flexible enough to capture the existing expertise and data, to provide a mechanism for action, and to minimize duplication of effort and costly, unwieldy monitoring programs. The existing agricultural science network will provide research monitoring to assess on-site performance in contained field tests and assess the impact of their presence in the ecosystem over time; develop protocols for experimentation, post-release surveillance, tracing the movement and dispersal of genetically engineered organisms.

NBIAP's role in information exchange will be largely in support of its research and monitoring responsibilities. The information needs of NBIAP will be met by development of information and data management systems that are responsive to scientific review panels, individual researchers, administrators, and the public at large. Baseline data characterizing sites for field testing, scientific resource data bases on scientific expertise, the

distribution of genetically engineered organisms and nonengineered organisms and their relationships to regional agricultural production data, historical research activities, and specific research projects will be provided. There is an immediate need for completion of program design, initial implementation steps, early data acquisition activities, and feasibility studies.

- (c) A decrease of \$284,000 for the Supplemental and Alternative Crops program (\$675,000 available in 1988).

Need for Change. Aquaculture can provide the nation's farms with new, alternative enterprises and new sources of income from farm-produced shell and fin fish. There is a need to demonstrate to farmers the technical and economic feasibilities of aquaculture, thereby encouraging adoption. Funding in FY 1989 of \$141,000 for the hybrid striped bass project would continue high priority support of this cooperative research and pilot project that is being carried out under the Special Research Grant program in FY 1988 and ensure completion of the establishment phase of the demonstration farm located in Maryland.

Commercialization of alternative, industrial crops requires research and development in agricultural production technology and produce and market development in industry. Cooperative projects and programs between public and private sectors to commercialize alternative crops will create new, real markets for agricultural materials, stimulate demand for their domestic production, and reduce U.S. dependence on import of these materials. Funding in FY 1989 of \$250,000 would assure continued and expanded support of high priority commercialization programs and projects for crambe and rapeseed.

Nature of Change. To encourage farm production of hybrid striped bass, anticipating stimulation of an east coast industry for farmers and watermen, the research and pilot project program must continue through and beyond establishment of the demonstration project farm. This farm is a cooperative effort with the University of Maryland and a private producer. The demonstration project farm will be established and a program to demonstrate economic and technical (production, feeding, hatchery) feasibilities at a commercial scale will begin. The hybrid striped bass demonstration project is designed to effect technology transfer.

Research, development, and demonstration project activities on crambe and rapeseed will continue to concentrate on an integrated agricultural program among Iowa, Idaho, Kansas, Missouri, and New Mexico. An accelerated, cooperative program with private industry for product and product market development from the high erucic acid oils of crambe and rapeseed will begin to build the infrastructure between agriculture and industry necessary for realizing commercialization.

Funding in FY 1988 supported the initial development of research and demonstration projects on oilseeds in North Dakota. These projects will identify the potential for industrial and food products from sunflower, crambe, and other oils. Private companies will also be involved in developing markets for these products. Emphasis is placed on high priority national interest programs in the FY 1989 CSRS budget.

- (d) A decrease of \$26,958,000 for Special Research Grants, \$4,250,000 for Critical Agricultural Materials Act, \$475,000 for Rangeland Research Grants, \$3,500,000 for Aquaculture Centers, \$2,100,000 for Other Research Grants, \$5,027,000 for International Trade Development Centers, and \$3,900,000 for the Low-Input Agricultural Productivity Grants.

Need for Change. These grants programs have concentrated on problems of national and local interest beyond the normal emphasis in the formula programs. The Hatch Act formula and related base funded programs constitute the core of the State-Federal research partnership and, when put together with State funding, provide the basic laboratory facilities, scientists, graduate students, and support necessary for the long term stability of agricultural research. Thus, these base programs become the highest priority of the State-Federal research partnership. Selected high priority research grant programs on acid precipitation, pesticide clearance, minor use animal drugs, and guayule will be continued at the FY 1988 current level.

Nature of Change. This change will eliminate this specific funding support for selected grant programs. Due to the discretionary nature of the Hatch Act formula and related base funded programs, amounts allotted to State institutions permit the institutions to fund research in those areas that they identify as high priority. This flexibility could provide for maintaining some of the programs if the State institutions wish to continue the research.

- (4) A net increase of \$12,128,000 for Competitive Research Grants (\$42,372,000 available in 1988) consisting of:

- (a) An increase of \$3,358,000 for Competitive Research Grants for Plant Science Centers (No earmarked funding available in 1988).

Need for Change. A program of plant science centers grants in collaboration with the Department of Energy and the National Science Foundation was initiated in FY 1988 from existing funds. There is an urgent need to increase our understanding of the basic biology of plants, the lack of which has become a major limiting step for the application of modern biotechnology to agriculture. The plant science center program is designed to foster the type of research that is not easily accomplished under individual research programs. It encourages interactions among different disciplines of science as well as different institutions. It encourages the involvement of undergraduate, graduate and postgraduate students so as to provide them with broad experience in basic research in plant sciences. The center approach to basic research is intended to complement, not replace, ongoing USDA-wide efforts to support basic plant science research, and to add a new dimension to plant science research which, until now has consisted largely of individual research projects.

Nature of Change. Efforts to support the best research in plant science through multi-disciplinary and multi-institutional approaches will continue. Support will be available for center programs established in FY 1988 and new center programs will be established in FY 1989. The centers will involve academic institutions that have a critical mass of scientific talent, a proven track record in plant science research, and a potential to conduct multidisciplinary research that enhances our

understanding of plants--leading to expanded markets for plant products. The centers will be encouraged whenever possible to form working partnerships with Federal research agencies, industry laboratories, and State and local agencies.

- (b) An increase of \$2,600,000 for Competitive Research Grants for biotechnology research (\$19,016,000 available in 1988).

Need for Change. It is widely recognized that biotechnology holds enormous potential for increased competitiveness of the U.S. agriculture in the world market. Unlike many other technologies that require a long period of development, basic research goes hand in hand with the technology development in biotechnology. Often, a breakthrough in basic research is a breakthrough in biotechnology. The U.S. is a leading nation in biotechnology because of its long history of strong commitment for support of basic research. In order to maintain that leadership, it is absolutely imperative that we continue to support basic research in biotechnology.

Nature of Change. Grant awards will be expanded to researchers using some of the powerful tools of molecular biology to enable investigations on the structure, regulation, and expression of genes. Similar emphasis will be placed on understanding cellular and molecular mechanisms related to growth and development and those controlling responses to biological and environmental stress mechanisms. Important consequences of having this information would be the ability to assess those mechanisms and phenomena in specific experimental conditions. This increased effort will lead to a better understanding of the molecular aspects of plant and animal biology and diseases and opportunities to solve some of the most serious production and health problems facing agriculture.

- (c) An increase of \$623,000 for Competitive Research Grants for human nutrition research (\$2,377,000 available in 1988).

Need for Change. The program focuses on innovative approaches to research on nutritional requirements, the bioavailability of nutrients in foods, interrelationships among nutrients, nutrient function, nutrient absorption and transport, and food processing that relates to nutritional needs among various segments of normal and healthy populations. Special emphasis is needed to encourage new approaches designed to improve methods of research and investigations that will increase the reliability and validity of data concerned with the quantitative evaluation of nutrient requirements and nutritional status. In addition, the advancement in general biology in humans now makes it possible to ask fundamental questions such as why a certain nutrient is required and what is its function in the cell.

Nature of Change. The increment would be used to place greater emphasis on the basic biology of nutrition, namely the biochemical and molecular basis for nutrient requirements. Also studies of the molecular biology of factors interacting with nutrients, such as receptors and carrier proteins, will be encouraged.

- (d) An increase of \$1,000,000 for Competitive Research Grants for animal science research (\$6,000,000 available in 1988).

Need for Change. Suboptimal reproductive performance in domestic farm animals is associated with physiological problems related to puberty, ovulation, insemination, fertilization, prenatal death, poor survival of offspring, and disease problems causing local or systemic changes in the host due to invasive organisms. Information is essential concerning hormonal involvement in controlling or regulating these

manifestations. No funding is being proposed for the Animal Health and Disease, Section 1433 research program or the Animal Health Special Research Grants program. Research formerly conducted under these programs will be continued under an expanded animal science program. Intensified and expanded research is needed to find solutions to the most serious animal health problems that limit the efficient production of animal products. Recent technological advances in the biological and medical sciences that would be applied to veterinary medical problems under this program offer promise of major breakthroughs in the diagnosis, prevention and control of food animal health problems.

Nature of Change. Research on mechanisms by which hormones integrate the functional and developmental activities of cells in developing animals will be addressed. Researchers can clarify the principles concerning hormonal involvement or initiation and synchronization of early embryo-maternal relationships in mammals. Research will be conducted on major causes of disease losses in livestock and poultry such as respiratory, enteric, and reproductive diseases; mastitis; parasites; and other major causes of animal health losses.

Solutions will be sought to the cause, diagnosis, prevention, control or eradication of these problems. These funds will permit in-depth studies by some of the Nation's most highly trained, experienced, and productive scientists and will facilitate breakthroughs badly needed for solution of specific animal health problems. Veterinary medicine must be recognized as the core of the animal health and disease program in USDA. The State and other institutions supported by CSRS funds conduct research of benefit to the livestock producers and train the veterinarians employed by Federal agencies.

Funding earmarks for brucellosis and reproductive efficiency research will be eliminated. Much of the research could be carried out within the animal science area of the Competitive Research Grants program. The scientists initially funded in these programs will have had the advantage of significant grants to build a program that can successfully compete in the more general area of animal science. Due to the discretionary nature of the Hatch Act formula and related base funded programs, amounts allotted to State institutions permit the institutions to fund these areas of research if they identify them as high priority and wish to continue the research.

- (e) An increase of \$7,400,000 for Competitive Research Grants for stratospheric ozone research. (No funding available in 1988).

Need for Change. There is growing concern that the reduced levels of stratospheric ozone in recent years may indicate a long term trend. One consequence of lower ozone levels is an increase in ultraviolet light reaching the earth. The U. S. is joining an international effort for further study of changes in stratospheric ozone and effects therefrom. Agriculture's part in this joint effort is to determine effects of these changes on crops and trees. Information on effects will be needed for analysis of alternative strategies for influencing future ozone levels.

Nature of Change. Any area affecting basic processes and mechanisms in plants is affected by radiant energy. Therefore, increased UV-B as a result of ozone depletion will have profound effects on plant life as we know it. Basic research

will be conducted in the areas directly affected by changes in UV-B; DNA structure and function, photosynthesis, photomorphogenesis, reproduction, respiration, and primary and secondary metabolism. Further research will be conducted in the areas indirectly affected by increased UV-B, including any function of plant or plant communities related to environmental stress, disease resistance or production which will be affected by a change in the light spectrum. These are also the areas in which reasonable progress can be expected because scientists can approach the problems by using existing knowledge and technology. Data obtained from detailed research in these areas will form a baseline for developing models for estimating effects of ozone depletion on tropospheric pollutants as well as for developing systems of UV-B monitoring.

- (f) A decrease of \$2,853,000 for Competitive Research Grants for pest science research (\$2,853,000 available in 1988).

Need for Change. This change will eliminate the special funding for research on gypsy moth, boll weevil/bollworm, and pine bark beetle. Grants awarded in prior years have provided substantial funding for research on these pests that will provide rapid advances in our understanding of the insects under study. The information obtained may be used as a model for other insects.

Nature of Change. Much of this pest science research could be carried out within the plant science and biotechnology areas of the Competitive Research Grants program. The scientists initially funded in the pest science program will have had the advantage of significant grants to build a program that can successfully compete in the more general areas of biological stress and biotechnology.

- (5) A decrease of \$5,476,000 for Animal Health and Disease Research, Sec. 1433, P.L. 95-113 (\$5,476,000 available in 1988).

Need for Change. The Animal Health and Disease Research program has supported livestock and poultry disease research in accredited colleges of veterinary medicine and State Agricultural Experiment Stations. For the purpose intended, this is not the most desirable mechanism for program delivery and research formerly conducted under this program may be continued under the expanded animal science Competitive Research Grants program. The competitive grants program will better target funds to projects of highest scientific merit and most closely tied to national priorities.

Nature of Change. This change will eliminate funding support for this program. Animal health and disease research is being conducted in other ongoing Federal and State research programs. The Biotechnology and Animal Science Competitive Research Grants programs also offer opportunities for supporting animal health research.

- (6) A net decrease of \$2,994,000 for Federal Administration (direct appropriation) (\$4,094,000 available in 1988) consisting of:

- (a) An increase of \$128,000 to annualize 1988 pay costs.
- (b) A decrease of \$2,236,000 for the Gulf Coast shrimp aquaculture project. Prior funding has supported the initial development of this project. Emphasis is placed on high priority national interest programs in the 1989 CSRS budget.

- (c) A decrease of \$625,000 for curriculum development and strengthening at Mississippi Valley State University. Prior funding has supported the initial development of this project. Emphasis is placed on high priority national interest programs in the 1989 CSRS budget.
- (d) A decrease of \$261,000 for the Office of Grants and Program Systems. The requested funding level is consistent with related program funding requests and proposed staffing levels.
- (7) A net decrease of \$5,452,000 for higher education (\$7,354,000 available in 1988) consisting of:
 - (a) An increase of \$98,000 for Higher Education-Strengthening Grants (\$1,902,000 available in 1988).

Need for Change. Funds appropriated pursuant to Section 1417(a)(2)(A) of P.L. 95-113, as amended, support resident instruction programs at the 1890 Colleges and Universities, Tuskegee University, and the University of the District of Columbia. Historically, these institutions were underfunded by the Federal Government for food and agricultural research, extension, and teaching. This situation has been improved in research and extension by funding for Sections 1444 and 1445 of P.L. 95-113, as amended; by funding research and extension facilities under the authorities of Section 1433 of P.L. 97-98 and Section 1416 of P.L. 99-198; and since 1985 by a strengthening grants program to enhance the quality of the instructional programs at these institutions. This request is consistent with the Administrations's priority on strengthening programs at these institutions, as reiterated in a July 24, 1987, Presidential Memorandum. The recent report of the Joint Council on Food and Agricultural Sciences "FY 1988 Priorities for Research, Extension, and Higher Education" identified scientific expertise development among the top four national priorities for the agricultural research and education system. The report further indicates the need for several national initiatives to enhance the quality of the educational programs which are responsible for development of the Nation's food and agricultural expertise and, particularly, for initiatives which will expand minority participation in food and agricultural sciences higher education.

Nature of Change. This program provides a stable funding base for resident instruction at historically black land-grant institutions, Tuskegee University, and the University of the District of Columbia to ensure a strong overall program in the food and agricultural sciences. Recipient institutions use these funds to strengthen the quality of food and agricultural sciences academic programs (e.g., curriculum development, faculty development, student internships, and scientific instrumentation) and to strengthen the student recruitment programs.

- (b) A decrease of \$2,600,000 for the Morrill Nelson program (\$2,600,000 available in 1988).

Need for Change. The Federal government has supported higher education in the food and agricultural sciences at land-grant institutions through a permanent appropriation in the Second Morrill Act of 1890. The funding level has remained at the \$50,000 level for each State and territory since 1912. The amount of funds per institution is very small by current day standards. In recent years the research programs and facilities at the 1890 land-grant institutions have been strengthened through the provisions of Sections 1444 and 1445 of P.L. 95-113, as amended, Section 1433 of P.L. 97-98, and Section 1416 of P.L. 99-198. Funding of \$2,000,000 is proposed for Higher Education Strengthening Grants to be distributed to the 1890 Colleges and Universities, Tuskegee University, and the University of the District of Columbia to provide a stable support base for resident instruction at these institutions.

Nature of Change. In FY 1989 no funding is proposed for the Morrill Nelson permanent appropriation since a grant program for the 18 historically black land-grant colleges and universities is available. For FY 1989, appropriation language has been proposed for this purpose. Other CSRS programs indirectly support higher education.

- (c) A decrease of \$2,852,000 for Higher Education-Graduate Training Grants (\$2,852,000 available in 1988).

Need for Change. Ongoing CSRS programs and an enhanced competitive grants program will provide opportunities for graduate training.

Nature of Change. This change will terminate the USDA Competitive Graduate Training Grants (Graduate Fellowships) program. Support for the development of agricultural expertise will be provided indirectly through the Competitive Research Grants program and through the provisions of the Hatch Act formula and related base funded programs.

SMALL BUSINESS INNOVATION RESEARCH PROGRAM

The Small Business Innovation Development Act, Public Law 97-219, July 22, 1982, as amended by Public Law 99-443, October 6, 1986, was designed to strengthen the role of small, innovative firms in Federally funded research and development. It directs that small firms receive at least a fixed minimum percentage of research and development awards made by Federal agencies with sizable research and development budgets. Beginning in fiscal year 1986, and all subsequent fiscal years, 1.25 percent of an agency's extramural research budget is set aside for purposes of the SBIR Act.

<u>Agency</u>	<u>FY 1987 Actual</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>
Agricultural Cooperative Service	\$4,375	\$5,000	- -
Agricultural Research Service	150,000	156,250	\$156,250
Cooperative State Research Service	3,265,233	3,502,831	3,079,978
Economic Research Service	12,500	10,500	10,500
Forest Service	53,563	58,125	58,750
Human Nutrition Information Service	15,750	28,750	35,000
National Agricultural Statistics Service .	4,550	2,688	2,688
Total	3,505,971	3,764,144	3,343,166

The functions of the SBIR program, the solicitation, review and evaluation of proposals have been centralized in order to most effectively and efficiently serve the SBIR community. A committee composed of members of the contributing agencies established six research topic areas:

1. Forest and Related Resources. Proposals were solicited to develop environmentally sound techniques to increase productivity of forest land and to increase the utilization of materials and resources from forest lands.
2. Plant Production and Protection. Research proposals were solicited to find ways to examine means of increasing the efficiency of crop production by reducing the impact of destructive agents, enhancing the impact of new methods of plant manipulation, and developing effective crop systems that are economical and environmentally sound.
3. Animal Production and Protection - Research proposals were solicited to find ways to enable producers to increase production efficiency and to assure a reliable and safe supply of animal protein and other animal products while conserving resources and reducing production costs.
4. Air, Water and Soils - Research proposals were solicited to develop technologies for conserving soil, water and air resources while sustaining optimum agricultural productivity.
5. Food Science and Nutrition - Research proposals were solicited to develop new knowledge and a better understanding of the characteristics of foods and their nutritional impact; to apply new knowledge to improve our food and diets; and to apply new knowledge to the production of useful new food products, processes, materials, and systems.
6. Rural and Community Development. Research proposals were solicited to promote or foster development of income or employment opportunities or improvements in services to rural people and to develop technological or informational systems to assist local governments or public institutions in rural areas.

Current Activities. In response to the November 17, 1986, deadline announced in the Federal Register the Department of Agriculture received 209 proposals from small businesses that had innovative approaches to solve problems in U.S. agriculture. The agency contributions were pooled and grants were made without

regard to the funding source. The proposals were peer reviewed and many high quality applications were identified. With the funds available for the program 35 awards could be made. A summary of the fiscal year 1987 solicitation follows:

<u>Program Area</u>	<u>Number of Proposals Received</u>	<u>Amount Requested</u>	<u>Number of Grants Awarded</u>	<u>Amount of Awards</u>
Forest and Related Resources	40	\$2,404,960	6	\$620,182
Plant Production and Protection .	66	4,871,660	12	1,332,823
Animal Production and Protection.	38	2,517,705	6	568,787
Air, Water and Soils	22	1,545,615	4	346,439
Food Science and Nutrition	23	1,601,777	4	349,923
Rural and Community Development .	20	1,299,233	3	287,817
Total	209	14,240,950	35	3,505,971

Selected Examples of Recent Progress:

Forest and Related Resources. A Montana company is working to develop a new fungal insecticide that will be effective in controlling the gypsy moth. They have developed a new solid state culture technology to permit the production of commercial quantities of fungal spores. Field tests will be used to determine the effectiveness of this new insecticide.

Plant Production and Protection. A firm in Hawaii is developing a new technology for the production of Porphyra, or Nori, which is used extensively in Japanese food. By utilizing nutrient-rich seawater and abundant sunlight, they are able to produce Nori superior to that grown in Japan. This product will find ready markets in Hawaii and Japan.

Animal Production and Protection. A North Carolina company is developing a high-speed, automated egg injection machine that can inject 6 turkey or chicken eggs simultaneously. This technology will permit the uniform delivery of vaccines and other biologically active substances to protect against disease and promote hatchability and growth.

Air, Water and Soils. A firm in Colorado has developed a new membrane technology that will permit cost- and energy-efficient processes for the partial demineralization of brackish water. This process will encourage development of supplemental water resources for irrigation.

Food Science and Nutrition. A New Jersey corporation has developed monoclonal antibodies to Salmonella that exhibit good selectivity and will incorporate them in liposomes in order to develop a rapid method for the detection of Salmonella in processed foods. This detection method can be performed in less than 24 hours.

Rural and Community Development. A Virginia business is developing the technology needed to grow sweet sorghum in the Piedmont region as a source of ethanol and molasses. This industry would utilize marginal farm land and result in local economics in Piedmont counties expanding by at least \$45 million.

COOPERATIVE STATE RESEARCH SERVICE
Status of Construction Projects

RESEARCH FACILITIES ACT

<u>Facility</u>	<u>Amount</u>	<u>Description</u>
Washington State University, Food-Human Nutrition Center	\$2,000,000	CSRS awarded a grant to Washington State University for start-up construction costs of a Food-Human Nutrition Center.

BUILDINGS AND FACILITIES

In the Fiscal Year 1987 Appropriations Act, \$37.4 million was appropriated under the Agricultural Research Service Buildings and Facilities account. The appropriation language allowed for transfer of these funds "to other accounts as may be appropriate to carry out these programs". Consequently, \$36.4 million was transferred to the Cooperative State Research Service in fiscal year 1987. The status of these research facilities is as follows:

<u>Facility</u>	<u>Amount</u>	<u>Description</u>
Tuskegee University, Regional Institute for Food Animal Production, Research, and Service	\$5,400,000	CSRS awarded a grant to Tuskegee University for construction of the Regional Institute for Food Animal Production, Research, and Service.
University of Illinois, Plant and Animal Sciences Research Center	27,000,000	CSRS awarded a grant to University of Illinois for construction of the Plant and Animal Sciences Research Center.
Iowa State University, National Center for Food and Industrial Product Development	50,000	CSRS awarded a cooperative agreement to Iowa State University to conduct a feasibility study on constructing a National Center for Food and Industrial Product Development. A copy of the feasibility study was sent to the Appropriations Committees on 5/6/87.
Kansas State University, Plant Science Research Center	50,000	A copy of the feasibility study conducted on the construction of a new Plant Science Research Center at Kansas State University was sent to the Appropriations Committees on 5/6/87. The study was conducted without using the \$50,000 appropriated.
Oregon State University, Wheat Marketing and Demonstration Laboratory	900,000	CSRS awarded a grant to Oregon State University for planning costs of a Wheat Marketing and Demonstration Laboratory.

Pennsylvania State University, Agricultural Science and Industry Center	\$1,800,000	CSRS awarded a grant to Pennsylvania State University for planning costs of an Agricultural Science and Industry Center.
University of Vermont, Stafford-Aiken Center for Microbiology and Agricultural Science	900,000	CSRS awarded a grant to the University of Vermont for planning costs of the Stafford-Aiken Center for Microbiology and Agricultural Science.
Virginia Polytechnic Institute and State University, Virginia/Maryland Regional College of Veterinary Medicine	300,000	CSRS awarded a grant to the Virginia Polytechnic Institute and State University for construction of additional classroom space at the Virginia/Maryland Regional College of Veterinary Medicine.

CSRS BUILDINGS AND FACILITIES

In the FY 1987 Supplemental Appropriations Act, \$30.2 million was appropriated in the CSRS Buildings and Facilities account for construction of the Stafford-Aiken Center for Microbiology and Agricultural Science in Vermont, an Agricultural Science and Industry facility at Pennsylvania State University, and a Weed Science and Technology Center at North Dakota State University. These funds are available until fully expended and were carried over from FY 1987 to FY 1988. It is anticipated that these grants will be awarded in FY 1988.

TABLE 1
DISTRIBUTION OF FEDERAL PAYMENTS FOR RESEARCH AND EDUCATION AT STATE AGRICULTURAL EXPERIMENT
STATIONS AND OTHER STATE INSTITUTIONS - FISCAL YEAR 1987

STATE	HATCH ACT, AS AMENDED		COOP. : 1890 : ANIMAL :	FORESTRY : COLLEGES & HEALTH : RESEARCH : (M-S) :	SPECIAL : RESEARCH : CO-OP. : RESEARCH :	FACILI- TIES : GRANTS :	HIGHER : EDUCATION : GRANTS :	FORESTRY : RESEARCH : GRANTS :	ADMIN. : (DIRECT : APPROP.) :	FEDERAL : FACILITIES : FUNDS :				
	REGULAR : REGIONAL :	RESEARCH : TOTAL :												
ALABAMA.....	2,549,147:	690,647:	3,239,794:	399,065:	2,544,352:	115,011:	8,381:	300,000:	2,091,762:	254,994:	38,349:	0:	5,238,000:	14,229,708
ALASKA.....	691,267:	117,211:	808,478:	211,876:	0:	8,948:	5,000:	0:	0:	50,000:	0:	0:	0:	1,084,302
AMERICAN SANDA:	340,000:	0:	340,000:	0:	0:	0:	0:	0:	0:	50,000:	0:	0:	0:	390,000
ARIZONA.....	948,793:	619,750:	1,568,543:	181,926:	0:	57,238:	386,483:	694,000:	0:	50,000:	0:	0:	0:	2,938,190
ARKANSAS.....	2,182,481:	605,284:	2,787,765:	369,114:	1,108,422:	73,241:	63,554:	285,000:	421,984:	152,497:	0:	0:	0:	5,261,577
CALIFORNIA.....	2,808,852:	1,281,224:	4,090,076:	391,578:	0:	422,571:	1,822,161:	5,212,640:	0:	674,000:	325,010:	0:	0:	12,938,036
COLORADO.....	1,273,992:	888,381:	2,162,373:	226,851:	0:	252,333:	333,222:	489,996:	0:	146,000:	170,100:	0:	0:	3,780,875
CONNECTICUT....	1,077,631:	404,328:	1,481,959:	144,488:	0:	22,488:	5,638:	721,000:	0:	50,000:	0:	0:	0:	2,425,573
DELAWARE.....	745,117:	302,454:	1,047,571:	77,100:	440,827:	15,694:	5,000:	0:	333,045:	152,496:	0:	0:	0:	2,071,733
DISTRICT OF	:	:	:	:	:	:	:	:	:	:	:	:	:	:
COLUMBIA.....	383,344:	87,320:	470,664:	0:	0:	0:	0:	0:	0:	152,497:	0:	0:	0:	623,161
FLORIDA.....	1,776,778:	574,953:	2,351,731:	316,702:	877,671:	137,237:	1,156,895:	1,067,000:	226,556:	152,496:	0:	0:	0:	6,286,288
GEORGIA.....	2,820,161:	944,926:	3,765,087:	406,552:	1,387,597:	151,602:	622,954:	720,813:	665,558:	248,497:	220,000:	0:	0:	8,188,660
GUAM.....	595,955:	100,361:	696,316:	0:	0:	0:	199,400:	0:	0:	50,000:	0:	0:	0:	945,716
HAWAII.....	745,285:	314,271:	1,059,556:	92,075:	0:	7,308:	2,487,568:	0:	0:	50,000:	0:	1,377,543:	0:	5,074,050
IDAHO.....	1,191,013:	500,053:	1,691,066:	279,264:	0:	72,619:	434,170:	300,000:	0:	50,000:	244,000:	0:	0:	3,071,119
ILLINOIS.....	3,539,739:	828,194:	4,367,933:	174,438:	0:	167,401:	592,008:	2,243,900:	0:	290,000:	340,590:	0:	0:	26,190,000:34,366,270
INDIANA.....	3,224,871:	698,002:	3,922,873:	204,388:	0:	109,459:	174,602:	1,405,524:	0:	224,440:	0:	0:	0:	6,041,286
IOWA.....	3,363,634:	1,221,915:	4,585,549:	122,026:	0:	293,769:	2,713,476:	881,000:	0:	242,000:	0:	0:	0:	48,500: 8,886,320
KANSAS.....	2,072,511:	694,724:	2,767,235:	114,538:	0:	175,000:	888,944:	555,000:	0:	50,000:	0:	0:	0:	4,550,717
KENTUCKY.....	3,290,844:	691,617:	3,982,461:	256,801:	1,557,613:	92,427:	236,240:	725,000:	272,271:	152,496:	0:	0:	0:	7,275,309
LOUISIANA.....	2,021,042:	571,336:	2,592,378:	361,627:	1,016,392:	98,065:	334,100:	250,000:	412,572:	248,497:	179,328:	0:	0:	5,492,959
MAINE.....	1,052,030:	421,414:	1,473,444:	346,652:	0:	16,074:	231,740:	235,000:	0:	50,000:	220,233:	0:	0:	2,573,143
MARYLAND.....	1,432,741:	530,244:	1,982,985:	159,463:	740,724:	46,867:	216,434:	797,500:	221,080:	152,496:	0:	0:	0:	4,317,549
MASSACHUSETTS..	1,271,650:	517,590:	1,789,240:	151,976:	0:	53,346:	917,558:	1,169,491:	0:	50,000:	0:	0:	0:	4,131,611
MICHIGAN.....	3,265,909:	734,961:	4,000,870:	354,138:	0:	96,236:	1,838,139:	2,008,000:	0:	50,000:	493,304:	0:	0:	8,840,687
MICRONESIA.....	290,000:	0:	290,000:	0:	0:	0:	0:	0:	0:	50,000:	0:	0:	0:	340,000
MINNESOTA.....	3,177,441:	778,164:	3,955,605:	286,751:	0:	175,962:	469,441:	1,171,000:	0:	146,000:	0:	0:	0:	6,204,759
MISSISSIPPI....	2,656,669:	698,406:	3,355,075:	376,602:	1,328,894:	51,331:	21,271,208:	210,000:	358,663:	152,497:	0:	1,300,191:	0:	28,404,461
MISSOURI.....	3,068,404:	654,324:	3,722,728:	241,826:	1,446,704:	144,943:	894,105:	1,239,034:	518,909:	344,497:	0:	0:	0:	8,552,746
MONTANA.....	1,129,299:	547,224:	1,676,523:	249,314:	0:	79,178:	205,944:	0:	0:	50,000:	0:	0:	0:	2,260,959
NEBRASKA.....	1,912,301:	742,521:	2,654,822:	84,588:	0:	184,744:	281,770:	400,500:	0:	50,000:	0:	0:	0:	3,656,424
NEVADA.....	682,527:	299,619:	982,146:	47,150:	0:	17,629:	25,000:	510,000:	0:	50,000:	0:	0:	0:	1,631,925
NEW HAMPSHIRE..	848,234:	303,088:	1,151,322:	189,413:	0:	10,100:	5,000:	275,000:	0:	50,000:	0:	0:	0:	1,680,835
NEW JERSEY.....	1,250,039:	942,177:	2,192,216:	129,513:	0:	21,308:	495,899:	670,100:	0:	50,000:	0:	0:	0:	3,559,036
NEW MEXICO.....	980,939:	329,655:	1,310,594:	166,951:	0:	40,874:	432,324:	281,000:	0:	50,000:	0:	0:	0:	2,281,743
NEW YORK.....	3,147,965:	1,267,684:	4,415,649:	324,189:	0:	264,536:	872,122:	3,201,690:	0:	338,000:	598,518:	0:	0:	10,014,704
NORTH CAROLINA:	4,296,472:	990,380:	5,286,852:	384,089:	2,005,850:	102,061:	217,025:	1,420,553:	760,641:	344,497:	0:	0:	0:	10,521,568
NORTH DAKOTA...	1,428,861:	493,053:	1,921,914:	69,613:	0:	56,680:	404,275:	180,000:	0:	50,000:	182,700:	0:	0:	2,865,182

Table 2
Payments to State Agricultural Experiment Stations under the Hatch Act

State	FY 1987 Actual			FY 1988 Estimate			FY 1989 Est.
	Regular Formula	Regional Research	Total	Regular Formula	Regional Research	Total	Regular Formula
Alabama	2,549,147	690,647	3,239,794	2,640,008	726,006	3,366,014	2,640,008
Alaska	691,267	117,211	808,478	712,245	123,805	836,050	712,245
American Samoa:	340,000	0	340,000	593,663	0	593,663	593,663
Arizona	948,793	619,750	1,568,543	982,738	654,616	1,637,354	982,738
Arkansas	2,182,481	605,284	2,787,765	2,266,340	636,276	2,902,616	2,266,340
California ...	2,808,852	1,281,224	4,090,076	2,943,142	1,351,616	4,294,758	2,943,142
Colorado	1,273,992	888,381	2,162,373	1,326,056	933,349	2,259,405	1,326,056
Connecticut ..	1,077,631	404,328	1,481,959	1,116,029	427,572	1,543,601	1,116,029
Delaware	745,117	302,454	1,047,571	770,043	319,842	1,089,885	770,043
Dist. of Col. :	383,344	87,320	470,664	475,021	92,340	567,361	475,021
Florida	1,776,778	574,953	2,351,731	1,857,696	590,135	2,447,831	1,857,696
Georgia	2,820,161	944,926	3,765,087	2,936,531	1,017,919	3,954,450	2,936,531
Guam	595,955	100,361	696,316	614,366	106,008	720,374	614,366
Hawaii	745,285	314,271	1,059,556	767,054	331,951	1,099,005	767,054
Idaho	1,191,013	500,053	1,691,066	1,242,525	527,611	1,770,136	1,242,525
Illinois	3,539,739	828,194	4,367,933	3,713,518	870,733	4,584,251	3,713,518
Indiana	3,224,871	698,002	3,922,873	3,388,236	733,852	4,122,088	3,388,236
Iowa	3,363,634	1,221,915	4,585,549	3,541,169	1,309,788	4,850,957	3,541,169
Kansas	2,072,511	694,724	2,767,235	2,167,762	674,686	2,842,448	2,167,762
Kentucky	3,290,844	691,617	3,982,461	3,439,140	727,026	4,166,166	3,439,140
Louisiana	2,021,042	571,336	2,592,378	2,095,614	600,588	2,696,202	2,095,614
Maine	1,052,030	421,414	1,473,444	1,090,537	445,639	1,536,176	1,090,537
Maryland	1,452,741	530,244	1,982,985	1,508,294	560,728	2,069,022	1,508,294
Massachusetts :	1,271,650	517,590	1,789,240	1,318,901	547,346	1,866,247	1,318,901
Michigan	3,265,909	734,961	4,000,870	3,419,929	772,711	4,192,640	3,419,929
Micronesia ...	290,000	0	290,000	622,790	0	622,790	622,790
Minnesota	3,177,441	778,164	3,955,605	3,335,073	880,361	4,215,434	3,335,073
Mississippi ...	2,656,669	698,406	3,355,075	2,739,757	734,163	3,473,920	2,739,757
Missouri	3,068,404	654,324	3,722,728	3,221,817	687,933	3,909,750	3,221,817
Montana	1,129,299	547,224	1,676,523	1,175,468	578,012	1,753,480	1,175,468
Nebraska	1,912,301	742,521	2,654,822	2,003,094	780,658	2,783,752	2,003,094
Nevada	682,527	299,619	982,146	704,250	316,475	1,020,725	704,250
New Hampshire :	848,234	303,088	1,151,322	879,926	320,513	1,200,439	879,926
New Jersey	1,250,039	942,177	2,192,216	1,296,606	996,526	2,293,132	1,296,606
New Mexico ...	980,939	329,655	1,310,594	1,014,624	348,202	1,362,826	1,014,624
New York	3,147,965	1,267,684	4,415,649	3,284,212	1,324,231	4,608,443	3,284,212
North Carolina:	4,296,472	990,380	5,286,852	4,464,299	1,041,087	5,505,386	4,464,299
North Dakota :	1,428,861	493,053	1,921,914	1,488,516	518,378	2,006,894	1,488,516
N. Marianas ...	290,000	0	290,000	580,804	0	580,804	580,804
Ohio	3,863,732	793,755	4,657,487	4,052,849	834,525	4,887,374	4,052,849
Oklahoma	1,981,614	496,644	2,478,258	2,069,125	522,072	2,591,197	2,069,125
Oregon	1,484,737	775,053	2,259,790	1,551,330	818,658	2,369,988	1,551,330
Pennsylvania ..	3,859,525	1,041,878	4,901,403	4,035,090	1,091,379	5,126,469	4,035,090
Puerto Rico ...	2,901,002	614,987	3,515,989	2,962,515	646,472	3,608,987	2,962,515
Rhode Island ..	688,190	313,845	1,002,035	708,662	331,887	1,040,549	708,662
South Carolina:	2,217,682	570,366	2,788,048	2,293,928	599,569	2,893,497	2,293,928
South Dakota ...	1,464,482	497,253	1,961,735	1,528,071	522,794	2,050,865	1,528,071
Tennessee	3,180,653	707,136	3,887,789	3,307,440	743,342	4,050,782	3,307,440
Texas	4,077,098	1,005,898	5,082,996	4,265,871	1,057,402	5,323,273	4,265,871
Utah	862,311	564,808	1,427,119	891,429	596,583	1,488,012	891,429
Vermont	902,982	277,189	1,180,171	935,306	295,397	1,230,703	935,306
Virgin Islands:	582,419	98,942	681,361	600,656	104,007	704,663	600,656
Virginia	2,716,488	676,817	3,393,305	2,823,248	708,120	3,531,368	2,823,248
Washington ...	1,694,243	1,197,318	2,891,561	1,769,448	1,213,923	2,983,371	1,769,448
West Virginia :	1,728,261	441,660	2,169,921	1,790,954	467,050	2,258,004	1,790,954
Wisconsin	3,187,368	840,115	4,027,483	3,344,497	865,223	4,209,720	3,344,497
Wyoming	809,092	444,065	1,253,157	836,962	468,674	1,305,636	836,962
Other	0	195,500	195,500	0	204,400	204,400	0
SUBTOTAL	:108,045,817	:33,940,684	:141,986,501	:113,505,174	:35,700,159	:149,205,333	:113,505,174
Regional Res. :	:	:	:	:	:	:	:
Undistributed:	0	0	0	0	20,000	20,000	35,720,159
Federal Admin.:	0	0	2,350,869	:	0	4,430,739	4,430,739
Penalty Mail :	0	0	484,515	0	0	0	0
Unoblig. Bal :	334,469	0	2,162,896	0	0	0	0
Small Bus. Act:	1,371,902	429,629	1,807,219	1,436,774	452,154	1,888,928	1,888,928
TOTAL	:109,752,188	:34,370,313	:148,792,000	:114,941,948	:36,172,313	:155,545,000	:155,545,000

Table 3
Distribution of Funds under the McIntire-Stennis Cooperative
Forestry Research Act
(In Dollars)

State/Recipient -----	Fiscal Year 1987 Actual	Fiscal Year 1988 Estimate	Fiscal Year 1989 Estimate
ALABAMA			
Agricultural Experiment Station, Auburn University	399,065	569,928	415,772
ALASKA			
Agricultural Experiment Station, Univ. of Alaska	211,876	319,117	235,873
AMERICAN SAMOA			
American Samoa Community College	0	0	0
ARIZONA			
Agricultural Experiment Station, University of Arizona	90,963	126,844	94,471
School of Forestry, Northern Arizona University	90,963	126,844	94,471
ARKANSAS			
Agricultural Experiment Station, Univ. of Arkansas	369,114	515,404	376,663
CALIFORNIA			
Agricultural Experiment Station, Univ. of California	313,262	438,494	320,103
Department of Forestry, California State Univ., Humboldt	58,737	82,218	60,019
California Polytechnic State University	19,579	27,406	20,006
COLORADO			
College of Forestry and Natural Resources, Colorado State Univ.	226,851	308,212	228,051
CONNECTICUT			
Agricultural Experiment Station, New Haven	108,366	141,195	106,510
Agricultural Experiment Station, Univ. of Connecticut, Storrs .	36,122	47,065	35,503
DELAWARE			
Agricultural Experiment Station, University of Delaware	77,100	101,021	79,439
FLORIDA			
Agricultural Experiment Station, University of Florida	316,702	439,070	321,912
GEORGIA			
School of Forest Resources, University of Georgia	406,552	580,832	423,593
GUAM			
Agricultural Experiment Station, University of Guam	0	0	0
HAWAII			
Agricultural Experiment Station, University of Hawaii	92,075	133,735	102,904
IDAHO			
College of Forestry, University of Idaho	279,264	395,451	290,625
ILLINOIS			
Agricultural Experiment Station, University of Illinois	87,219	121,392	90,561
Department of Forestry, Southern Illinois University	87,219	121,392	90,561
INDIANA			
Agricultural Experiment Station, Purdue University	204,388	297,308	220,230
IOWA			
Agriculture & Home Economics Experiment Sta., Iowa State Univ.	122,026	166,450	126,369
KANSAS			
Agricultural Experiment Station, Kansas State University	114,538	144,640	110,726
KENTUCKY			
Agricultural Experiment Station, University of Kentucky	256,801	373,641	274,981
LOUISIANA			
Agricultural Experiment Station, Louisiana State University ...	253,139	345,516	252,714
School of Forestry, Louisiana Tech University	108,488	148,078	108,306
MAINE			
Agricultural Experiment Station, University of Maine	346,652	526,308	384,485
MARYLAND			
Agricultural Experiment Station, University of Maryland	159,463	210,069	157,656
MASSACHUSETTS			
Agricultural Experiment Station, University of Massachusetts ..	151,976	220,974	165,478
MICHIGAN			
Agricultural Experiment Station, Michigan State University	118,046	168,166	122,947
School of Natural Resources, University of Michigan	118,046	168,166	122,947
Department of Forestry, Michigan Technological University	118,046	168,166	122,947
MICRONESIA			
College of Micronesia	0	0	0

State/Recipient	Fiscal Year 1987 Actual	Fiscal Year 1988 Estimate	Fiscal Year 1989 Estimate
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MINNESOTA			
Agricultural Experiment Station, University of Minnesota	286,751	406,356	298,447
MISSISSIPPI			
School of Forest Resources, Mississippi State University	376,602	537,213	392,307
MISSOURI			
Agricultural Experiment Station, University of Missouri	241,826	351,832	259,338
MONTANA			
School of Forestry, University of Montana	249,314	340,927	251,516
NEBRASKA			
Agricultural Experiment Station, University of Nebraska	84,588	122,831	95,083
NEVADA			
Agricultural Experiment Station, University of Nevada	47,150	57,402	48,153
NEW HAMPSHIRE			
Agricultural Experiment Station, University of New Hampshire ..	189,413	264,593	196,765
NEW JERSEY			
Agricultural Experiment Station, Rutgers University	129,513	199,164	149,834
NEW MEXICO			
Agricultural Experiment Station, New Mexico State University ..	166,951	231,879	173,300
NEW YORK			
Agricultural Experiment Station, Cornell University	81,047	115,220	84,389
College of Environmental Science and Forestry, State University of New York	243,142	345,660	253,166
NORTH CAROLINA			
School of Forest Resources, North Carolina State University ...	384,089	559,023	407,950
NORTH DAKOTA			
Agricultural Experiment Station, North Dakota State University	69,613	90,116	71,618
OHIO			
Agricultural Experiment Station, Ohio State University	234,339	330,022	243,695
OKLAHOMA			
Agricultural Experiment Station, Oklahoma State University ...	211,876	286,403	212,408
OREGON			
School of Forestry, Oregon State University	421,527	602,642	439,237
PENNSYLVANIA			
Agricultural Experiment Station, Pennsylvania State University	301,727	428,165	314,090
PUERTO RICO			
Agricultural Experiment Station, University of Puerto Rico	0	0	55,974
RHODE ISLAND			
Agricultural Experiment Station, University of Rhode Island ...	62,125	79,211	63,796
SOUTH CAROLINA			
College of Forest and Recreation Resources, Clemson University	309,214	449,975	329,733
SOUTH DAKOTA			
Agricultural Experiment Station, South Dakota State University	99,563	111,926	87,261
TENNESSEE			
Agricultural Experiment Station, University of Tennessee	271,776	384,546	282,803
TEXAS			
Agricultural Experiment Station, Texas A&M University	165,838	235,892	172,688
School of Forestry, Stephen F. Austin State University	165,838	235,892	172,688
UTAH			
College of Natural Resources, Utah State University	137,001	177,355	134,191
VERMONT			
School of Natural Resources, University of Vermont	196,901	275,498	204,586
VIRGIN ISLANDS			
Agricultural Experiment Station, Univ. of the Virgin Islands ..	0	0	0
VIRGINIA			
School of Forestry and Wildlife Resources, Virginia Polytechnic Institute and State University	339,164	482,689	353,198
WASHINGTON			
Agricultural Experiment Station, Washington State University ..	186,318	266,282	194,137
College of Forest Resources, University of Washington	227,722	325,455	237,278
WEST VIRGINIA			
Agricultural Experiment Station, West Virginia University	264,289	362,736	267,160
WISCONSIN			
Agricultural Experiment Station, University of Wisconsin	294,239	417,260	306,268
WYOMING			
Agricultural Experiment Station, University of Wyoming	107,050	155,545	118,548
Subtotal	11,889,144	16,762,812	12,428,428
Federal administration (3%)	372,360	525,000	389,250
Small Business Act	150,496	212,188	157,322
Total	12,412,000	17,500,000	12,975,000
	=====	=====	=====

Table 4

Evans-Allen Payments to 1890 Colleges and Tuskegee University
Under Section 1445, Public Law 95-113, As Amended
(In Dollars)

	Fiscal Year 1987 Actual	Fiscal Year 1988 Estimate	Fiscal Year 1989 Estimate
ALABAMA			
Alabama A&M University	\$1,281,891	\$1,331,812	1,430,534
Tuskegee University	1,262,461	1,312,382	1,411,104
ARKANSAS			
University of Arkansas--Pine Bluff.	1,108,422	1,155,494	1,248,585
DELAWARE			
Delaware State College	440,827	456,618	487,846
FLORIDA			
Florida A&M University	877,671	921,951	1,009,518
GEORGIA			
Fort Valley State College	1,387,597	1,450,805	1,575,803
KENTUCKY			
Kentucky State University	1,557,613	1,639,725	1,802,111
LOUISIANA			
Southern University	1,016,392	1,057,611	1,139,126
MARYLAND			
University of Maryland--Eastern Shore	740,724	772,332	834,839
MISSISSIPPI			
Alcorn State University	1,328,894	1,374,969	1,466,086
MISSOURI			
Lincoln University	1,446,704	1,532,333	1,701,671
NORTH CAROLINA			
North Carolina A&T State University.	2,005,850	2,095,887	2,273,944
OKLAHOMA			
Langston University	1,001,150	1,050,604	1,148,404
SOUTH CAROLINA			
South Carolina State College.....	1,111,647	1,153,532	1,236,366
TENNESSEE			
Tennessee State University	1,521,224	1,591,003	1,728,996
TEXAS			
Prairie View A&M College	1,940,009	2,042,415	2,244,934
VIRGINIA			
Virginia State College	1,316,194	1,374,524	1,489,880
CRIS	34,500	36,100	36,100
Subtotal	21,379,770	22,350,097	24,265,847
Federal Administration (3%)	669,600	699,990	759,990
Small Business Act	270,630	282,913	307,163
TOTAL	22,320,000	23,333,000	25,333,000

Table 5

Grants to Upgrade Research Facilities at 1890 Institutions and Tuskegee University
(In Dollars)

	Authorized Under P.L. 97-98, Sec. 1433	FY 1983 Actual	FY 1984 Actual	FY 1985 Actual	FY 1986 Actual	FY 1987 Estimate
<u>ALABAMA</u>						
Alabama A&M University	\$4,000,000	\$800,000	\$800,000	\$800,000	\$760,641	\$760,641
Tuskegee University	7,000,000	1,400,000	1,400,000	1,400,000	1,331,121	1,331,121
<u>ARKANSAS</u>						
University of Arkansas--						
Pine Bluff	2,219,100	443,820	443,820	443,820	421,984	421,984
<u>DELAWARE</u>						
Delaware State College	1,751,400	350,280	350,280	350,280	333,045	333,045
<u>FLORIDA</u>						
Florida A&M University	1,191,400	238,280	238,280	238,280	226,556	226,556
<u>GEORGIA</u>						
Fort Valley State College..	3,500,000	700,000	700,000	700,000	665,558	665,558
<u>KENTUCKY</u>						
Kentucky State University..	1,431,800	286,360	286,360	286,360	272,271	272,271
<u>LOUISIANA</u>						
Southern University	2,169,600	433,920	433,920	433,920	412,572	412,572
<u>MARYLAND</u>						
University of Maryland--						
Eastern Shore	1,162,600	232,520	232,520	232,520	221,080	221,080
<u>MISSISSIPPI</u>						
Alcorn State University ...	1,886,100	377,220	377,220	377,220	358,663	358,663
<u>MISSOURI</u>						
Lincoln University	2,728,800	545,760	545,760	545,760	518,909	518,909
<u>NORTH CAROLINA</u>						
North Carolina A&T State						
University.....	4,000,000	800,000	800,000	800,000	760,641	760,641
<u>OKLAHOMA</u>						
Langston University	1,529,800	305,960	305,960	305,960	290,907	290,907
<u>SOUTH CAROLINA</u>						
South Carolina State						
College	1,245,100	249,020	249,020	249,020	236,768	236,768
<u>TENNESSEE</u>						
Tennessee State University.	2,597,300	519,460	519,460	519,460	493,902	493,902
<u>TEXAS</u>						
Prairie View A&M College...	7,000,000	1,400,000	1,400,000	1,400,000	1,331,121	1,331,121
<u>VIRGINIA</u>						
Virginia State College	2,587,000	517,400	517,400	517,400	491,941	491,941
Subtotal	48,000,000	9,600,000	9,600,000	9,600,000	9,127,680	9,127,680
Federal administration (4%) .	2,000,000	400,000	400,000	400,000	380,320	380,320
TOTAL	<u>50,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>9,508,000</u>	<u>9,508,000</u>

Table 6
Distribution of Funds for Animal Health and Disease Research
Section 1433, P.L. 95-113
(In Dollars)

State/Recipient -----	Fiscal Year 1987 Actual -----	Fiscal Year 1988 Est. -----
ALABAMA		
Agricultural Experiment Station, Auburn University	76,229	76,229
School of Veterinary Medicine, Auburn University	32,829	32,829
School of Veterinary Medicine, Tuskegee University	5,953	5,953
ALASKA		
Agricultural Experiment Station, University of Alaska	8,948	8,948
ARIZONA		
Agricultural Experiment Station, University of Arizona	57,238	57,238
ARKANSAS		
Agricultural Experiment Station, University of Arkansas	73,241	73,241
CALIFORNIA		
Agricultural Experiment Station, Univ. of California, Berkeley.	237,542	237,542
School of Veterinary Medicine, University of California, Davis.	185,029	185,029
COLORADO		
Agricultural Experiment Station and College of Veterinary Medicine, Colorado State University	252,333	252,333
CONNECTICUT		
Agricultural Experiment Station, Univ. of Connecticut, Storrs .	22,488	22,488
DELAWARE		
Agricultural Experiment Station, University of Delaware	15,694	15,694
FLORIDA		
Agricultural Experiment Station, University of Florida	77,386	77,386
College of Veterinary Medicine, University of Florida	59,851	59,851
GEORGIA		
Agricultural Experiment Station, University of Georgia	22,722	22,722
College of Veterinary Medicine, University of Georgia	128,880	128,880
HAWAII		
Agricultural Experiment Station, University of Hawaii	7,308	7,308
IDAHO		
Agricultural Experiment Station, University of Idaho	53,654	53,654
College of Veterinary Medicine, University of Idaho	18,965	18,965
ILLINOIS		
Agricultural Experiment Station and College of Veterinary Medicine, University of Illinois	167,401	167,401
INDIANA		
Agricultural Experiment Station and School of Veterinary Medicine, Purdue University	109,459	109,459
IOWA		
Agriculture & Home Economics Experiment Sta., Iowa State Univ.	56,794	56,794
College of Veterinary Medicine, Iowa State University	236,975	236,975
KANSAS		
Agricultural Experiment Station and College of Veterinary Medicine, Kansas State University	175,000	175,000
KENTUCKY		
Agricultural Experiment Station, University of Kentucky	92,427	92,427
LOUISIANA		
Agricultural Experiment Station, Louisiana State University ...	73,051	73,051
School of Veterinary Medicine, Louisiana State University	25,014	25,014
MAINE		
Agricultural Experiment Station, University of Maine	16,074	16,074
MARYLAND		
Agricultural Experiment Station, University of Maryland	46,867	46,867
MASSACHUSETTS		
Agricultural Experiment Station, University of Massachusetts ..	9,676	9,676
School of Veterinary Medicine, Tufts University	43,670	43,670
MICHIGAN		
Agricultural Experiment Station and College of Veterinary Medicine, Michigan State University	96,236	96,236
MINNESOTA		
Agricultural Experiment Station, University of Minnesota	82,919	82,919
College of Veterinary Medicine, University of Minnesota	93,043	93,043
MISSISSIPPI		
Agricultural and Forestry Experiment Station and College of Veterinary Medicine, Mississippi State University	51,331	51,331

State Recipient	1987 Actual	1988 Est.
	-----	-----
MISSOURI		
Agricultural Experiment Station, University of Missouri	53,153	53,153
College of Veterinary Medicine, University of Missouri	91,790	91,790
MONTANA		
Agricultural Experiment Station, Montana State University	79,178	79,178
NEBRASKA		
Agricultural Experiment Station, University of Nebraska	184,744	184,744
NEVADA		
Agricultural Experiment Station, University of Nevada	17,629	17,629
NEW HAMPSHIRE		
Agricultural Experiment Station, University of New Hampshire ..	10,100	10,100
NEW JERSEY		
Agricultural Experiment Station, Rutgers University	21,308	21,308
NEW MEXICO		
Agricultural Experiment Station, New Mexico State University ..	40,874	40,874
NEW YORK		
Agricultural Experiment Station, Cornell University	53,703	53,703
College of Veterinary Medicine, Cornell University	210,833	210,833
NORTH CAROLINA		
Agricultural Experiment Station and School of Veterinary Medicine, North Carolina State University	102,061	102,061
NORTH DAKOTA		
Agricultural Experiment Station, North Dakota State University	56,680	56,680
OHIO		
Ohio Agricultural Research and Dev. Center, Ohio State Univ. ..	70,441	70,441
College of Veterinary Medicine, Ohio State University	46,857	46,857
OKLAHOMA		
Agricultural Experiment Station and College of Veterinary Medicine, Oklahoma State University	111,547	111,547
OREGON		
Agricultural Experiment Station, Oregon State University	47,615	47,615
School of Veterinary Medicine, Oregon State University	43,774	43,774
PENNSYLVANIA		
Agricultural Experiment Station, Pennsylvania State Univ.	52,638	52,638
School of Veterinary Medicine, University of Pennsylvania	94,875	94,875
PUERTO RICO		
Agricultural Experiment Station, University of Puerto Rico	13,218	13,218
RHODE ISLAND		
Agricultural Experiment Station, University of Rhode Island ...	12,413	12,413
SOUTH CAROLINA		
Agricultural Experiment Station, Clemson University	21,802	21,802
SOUTH DAKOTA		
Agricultural Experiment Station, South Dakota State University	87,493	87,493
TENNESSEE		
Agricultural Experiment Station and College of Veterinary Medicine, University of Tennessee	63,243	63,243
TEXAS		
Agricultural Experiment Station and College of Veterinary Medicine, Texas A&M University	350,953	350,953
UTAH		
Agricultural Experiment Station, Utah State University	49,863	49,863
VERMONT		
Agricultural Experiment Station, University of Vermont	16,345	16,345
VIRGINIA		
Agricultural Experiment Station and College of Veterinary Medicine, Virginia Polytechnic Institute and State Univ.	85,449	85,449
WASHINGTON		
Agricultural Experiment Station, Washington State Univ.	35,206	35,206
College of Veterinary Medicine, Washington State Univ.	104,571	104,571
WEST VIRGINIA		
Agricultural & Forestry Experiment Station, West Virginia Univ.	14,216	14,216
WISCONSIN		
Agricultural Experiment Station and College of Veterinary Medicine, University of Wisconsin	193,910	193,910
WYOMING		
Agricultural Experiment Station, University of Wyoming	40,539	40,539
Subtotal	5,191,248	5,191,248
Federal administration	219,040	219,040
Small Business Act	65,712	65,712
Total	5,476,000	5,476,000

Table 7
Competitive Research Grants
Proposals Submitted and Grants Awarded in Fiscal Year 1987

	Proposals Received	Dollars Requested	Grants Awarded	Dollars Awarded
Plant Biology				
Biological Stress	218	\$34,547,180	56	\$4,949,400
Genetic Mechanisms	47	7,021,855	15	1,818,000
Nitrogen Fixation	42	6,744,779	23	1,713,412
Photosynthesis	68	13,245,777	26	2,060,000
Soybeans	39	6,722,324	5	467,364
Alcohol Fuels	26	4,573,732	5	487,272
Subtotal	440	72,855,647	130	11,495,448
Human Nutrition				
Nutrient Requirements	104	23,325,058	27	2,253,396
Animal Science				
Brucellosis	17	3,557,422	2	450,300
Reproductive Physiology	55	14,638,275	9	1,352,796
Reproductive Efficiency	52	10,484,993	18	2,253,396
Subtotal	124	28,680,690	29	4,056,492
Biotechnology				
Plant Growth and Development	111	28,295,542	34	3,643,290
Plant Molecular Biology	134	36,631,792	32	3,399,878
Responses to Biological Stress	75	17,762,811	27	2,591,000
Responses to Physical Stress (plants)	69	14,827,099	15	1,793,000
Animal Growth and Development	124	34,267,747	19	3,075,000
Animal Molecular Biology	121	29,361,039	23	3,525,000
Subtotal	634	161,146,030	150	18,027,168
Pest Science				
Gypsy Moth	24	4,177,768	10	901,548
Boll Weevil/Bollworm	42	9,031,281	9	901,548
Pine Bark Beetle	20	3,428,318	8	901,548
Subtotal	86	16,637,367	27	2,704,644
TOTAL	1,388	302,644,792	363	38,537,148
	Proposals Received	Dollars Requested	Grants Awarded	Dollars Awarded
1862 Land-Grant Universities	918	\$189,535,774	251	\$26,768,725
1890 Land-Grant Universities	4	1,660,355	0	0
Private Universities	112	29,311,453	35	3,325,331
Other Public Universities	156	41,641,778	36	4,406,496
Federal Laboratories	8	1,329,233	4	360,000
USDA/ARS	99	16,433,674	19	1,900,796
Private Non-Profit	36	7,702,544	11	866,300
Private Profit	5	1,218,481	2	170,000
State and Local Agencies	3	1,466,575	0	0
Veterinary Schools & Colleges	44	11,210,542	5	739,500
Other	3	1,134,383	0	0
TOTAL	1,388	302,644,792	363	38,537,148

EXTENSION SERVICE

Purpose Statement

Cooperative extension work was established by the Smith-Lever Act of May 8, 1914, as amended. Legislation authorizes the Department of Agriculture to provide, through the land-grant colleges, cooperative extension work that consists of the development of practical applications of research knowledge and the giving of instruction and practical demonstrations of existing or improved practices of technologies in agriculture, uses of solar energy with respect to agriculture, home economics, related subjects and to encourage the application of such information by demonstrations, publications, and other means to persons not attending or resident in the colleges. This work is further emphasized in Title XIV (National Agricultural Research, Extension, and Teaching Policy) of the Food and Agriculture Act of 1977, as amended in 1981 and 1985.

To fulfill the requirements of the Smith-Lever Act, state and county Extension offices in each State, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Marianas and Micronesia, conduct educational programs to improve American agriculture and strengthen the Nation's families and communities.

The Extension Service, USDA, provides national leadership and represents the U.S. Department of Agriculture within the Cooperative Extension System, comprised of some 21,000 state and local Extension system employees and 2.9 million program service volunteers. As of September 30, 1987, there were 158 full-time permanent employees and 17 other than full-time permanent employees, all located in the D.C. metropolitan area.

EXTENSION SERVICE

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987 Actual	Staff- Years	1988 Estimated	Staff- Years	1989 Estimated	Staff- Years
	Amount		Amount		Amount	
Extension Service.....	\$ 338,972,000	174	\$ 357,963,000	174	\$ 299,542,000	174
Obligations Under Other USDA						
Appropriations:						
Agricultural Stabilization & Conservation Service:						
Rural Clean Water Project....	588,566		600,000		600,000	
Agricultural Research Service:						
Dialcom.....	1,000		2,000		2,000	
Support Services.....	5,058		6,000		6,000	
Evaluation Studies.....	207,000		190,000		190,000	
Cooperative State Research Service:						
Aquaculture.....	30,000		--		--	
Technology Transfer.....	29,000		30,000		30,000	
Support Shared Positions.....	7,395		7,400		7,400	
National Aquaculture Forum...	10,000		--		--	
National Pesticide Info. Center.....	5,000		10,000		10,000	
Food Preservation Center.....	17,000		20,000		20,000	
Federal Crop Insurance Corporation:						
Crop Insurance Workshops.....	25,000		35,000		35,000	
Insurance Education Program..	37,500		30,000		30,000	
Food Safety and Inspection Services:						
FARAD.....	30,000		30,000		30,000	
Consumer Education Effort....	25,000		25,000		25,000	
Soil Conservation Service:						
Groundwater.....	7,000		10,000		10,000	
Publications.....	1,000		2,000		2,000	
Forestry Support.....	32,558		35,000		35,000	
Conservation Reserve Program..	16,000		16,000		16,000	
Total, USDA Appropriation	1,074,077	--	1,048,400	--	1,048,400	--
Total, Agriculture Appropriations.....	340,046,077	174	359,011,400	174	300,590,400	174

Item	1987 Actual	1988 Estimated	1989 Estimated
	Amount	Staff- Years	Staff- Years
Other Federal Funds:			
AID-PASA International Extension:	2,855,074		3,450,000
Department of Interior:			
Fish & Wildlife Program.....	8,000	10,000	10,000
Environmental Protection			
Agency:			
Farmworker Safety.....	10,433	11,600	11,600
Chesapeake Bay.....	35,000	35,000	35,000
Water Quality.....	43,500	60,000	60,000
Non-Point Source Pollution....	15,000	20,000	20,000
Chemigation Guidance.....	19,000	20,000	20,000
Pesticide Applicator Training..	1,180,000	1,200,000	1,200,000
U.S. Army-Family Life Enrichment:	282,882	300,000	300,000
U.S. Navy-Family Life Program...	11,914	50,000	50,000
Total, Other Federal Funds	4,460,803	5,156,600	5,156,600
Non-Federal Funds:			
Federal Assistance Program			
Retrieval.....	14,850	20,000	20,000
Federal Telecommunications			
System.....	92,852	125,000	125,000
Federal Building Fund.....	292,417	250,000	250,000
Cost Share Printing.....	87,652	100,000	100,000
Total, Non-Federal Funds	487,771	495,000	495,000
Total, Extension Service	344,994,651	174	364,663,000
			306,242,000
			174

	1987 Actual	1988 Estimated	1989 Estimated
Full-Time Equivalent Staff Years			
Ceiling.....	173	173	173
Non-Ceiling.....	1	1	1
Total.....	174	174	174

EXTENSION SERVICE

Permanent Positions by Grade and Staff-Year Summary1987 and Estimated 1988 and 1989

GRADE	1987	1988 est.	1989 est.
ES-5	1	1	1
ES-4	5	5	5
ES-3	2	2	2
GS/GM-15	31	31	31
GS/GM-14	31	31	31
GS/GM-13	11	11	11
GS-12	6	6	6
GS-11	7	7	7
GS-9	4	4	4
GS-8	6	6	6
GS-7	14	14	14
GS-6	30	30	30
GS-5	6	6	6
GS-4	11	11	11
GS-2	8	8	8
Total, Permanent Positions:	173	173	173
Staff Years:			
Ceiling.....	173	173	173
Non-ceiling.....	1	1	1
TOTAL.....	174	174	174

EXTENSION SERVICE

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters.....	\$ 7,126,054	\$ 7,715,000	\$ 7,752,000
Field.....	- -	- -	- -
11 Total Personnel			
Compensation.....	7,126,054	7,715,000	7,752,000
12 Personnel Benefits.....	<u>826,573</u>	<u>925,000</u>	<u>930,000</u>
Total Pers. Comp. &			
Benefits.....	<u>7,952,627</u>	<u>8,640,000</u>	<u>8,682,000</u>
Other Objects:			
21 Travel.....	673,823	700,000	615,000
22 Transportation of things.....	99,021	100,000	85,000
23.2 Communications,			
utilities & other rent.....	603,439	600,000	525,000
24 Printing & reproduction.....	475,942	500,000	440,000
25 Other services.....	1,595,531	1,610,000	1,409,000
26 Supplies & materials.....	269,351	275,000	240,000
31 Equipment	247,534	250,000	220,000
41 Grants, subsidies &			
contributions.....	<u>322,509,687</u>	<u>345,288,000</u>	<u>287,326,000</u>
Total other objects.....	<u>326,474,328</u>	<u>349,323,000</u>	<u>290,860,000</u>
Total direct obligations.....	<u>334,426,955</u>	<u>357,963,000</u>	<u>299,542,000</u>
Position Data:			
Average Salary, ES			
positions.....	\$72,940	\$74,030	\$74,400
Average Salary, GM/GS			
positions.....	\$38,710	\$39,290	\$39,480
Average Grade, GM/GS			
positions.....	9.96	9.96	9.96

EXTENSION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Payments to States, Puerto Rico, Guam, the Virgin Islands, Micronesia, Northern Marianas, and American Samoa: For payments for cooperative agricultural extension work under the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962 (7 U.S.C. 341-349), section 506 of the Act of June 23, 1972, and the Act of September 29, 1977 (7 U.S.C. 341-349), as amended, and section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.), to be distributed under sections 3(b) and 3(c) of said Act, for retirement and employees' compensation costs for extension agents and for costs of penalty mail for cooperative extension agents and State extension directors, [~~\$241,594,000~~] \$228,483,000; payments for priority initiatives under section 3(d) of the Act, \$10,000,000; payments for agriculture competitiveness and profitability under section 3(d) of the Act, \$10,000,000; payments for rural revitalization under section 3(d) of the Act, \$2,000,000; payments for the nutrition and family education program for low-income areas under section 3(d) of the Act, [~~\$58,635,000,~~] \$22,111,000, [of which \$39,627,000 shall be derived by transfer from the appropriation "Food Stamp Program" and merged with this appropriation; payments for the urban gardening program under section 3(d) of the Act, \$3,329,000; payments for the pest management program under section 3(d) of the Act, \$7,164,000; payments for the farm safety program under section 3(d) of the Act, \$970,000;] payments for the pesticide impact assessment program under section 3(d) of the Act, [~~\$1,633,000~~] \$2,580,000; [grants to upgrade 1890 land-grant college extension facilities as authorized by section 1416 of Public Law 99-198, \$9,508,000, to remain available until expended; payments for an integrated reproductive management program under section 3(d) of the Act, \$47,000; payments for the rural development centers under section 3(d) of the Act, \$903,000;] payments for extension work under section 209(c) of Public Law 93-471, [~~\$935,000~~] \$970,000; [payments for a financial management assistance program under section 3(d) of the Act, \$1,427,000; payments for carrying out the provisions of the Renewable Resources Extension Act of 1978, \$2,765,000; for special grants for financially stressed farmers and dislocated farmers as authorized by section 1440 of Public Law 99-198, \$3,350,000;] and payments for extension work by the colleges receiving the benefits of the second Morrill Act (7 U.S.C. 321-326, 328) and Tuskegee University, \$18,291,000; in all, [~~\$350,551,000~~] \$294,435,000; [of which not less than \$79,400,000 is for Home Economics:] Provided, that funds hereby appropriated pursuant to section 3(c) of the Act of June 26, 1953, and section 506 of the Act of June 23, 1972, as amended, shall not be paid to any State, Puerto Rico, Guam, or the Virgin Islands, Micronesia, Northern Marianas and American Samoa prior to availability of an equal sum from non-Federal sources for expenditure during the current fiscal year.

Federal administration and coordination: For administration of the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962, section 506 of the Act of June 23, 1972, section 209(d) of Public Law 93-471, and the Act of September 29, 1977 (7 U.S.C. 341-349), as amended, and section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.), and to coordinate and provide program leadership for the extension work of the Department and the several States and insular possessions, [~~\$7,412,000~~] \$5,107,000[; of which not less than \$2,300,000 is for Home Economics].

The first change proposes new language for extension efforts in Priority Initiatives, Agriculture Competitiveness and Profitability, and Rural Revitalization.

The second change is for the purpose of deleting language providing for the transfer from the Food Stamp Program for the Expanded Food and Nutrition Education Program. Language is also deleted for Urban Gardening, Pest Management, Farm Safety, Farm Financial Management Assistance, Rural Development Centers, Integrated Reproductive Management, Grants for upgrading facilities at 1890 Colleges and Tuskegee University, Renewable Resources Extension Act and Section 1440 grants. Earmarked funding for these programs is not proposed in fiscal year 1989.

The third and fourth changes delete the requirement establishing a level of support for Extension's Home Economics program. This provision conflicts with the primary intent of the Smith-Lever Act giving maximum flexibility to the State Cooperative Extension Services in determining programs needing attention in the respective States.

EXTENSION SERVICE

Appropriation Act, 1988.....	\$357,963,000	a/
Budget Estimate, 1989.....	<u>299,542,000</u>	
Decrease in Appropriation.....	<u>-58,421,000</u>	

a/ Includes \$39,627,000 transferred from the Food Stamp Program to Extension Service, pursuant to P.L. 100-202, for the Expanded Food and Nutrition Education Program (EFNEP).

SUMMARY OF INCREASES AND DECREASES

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Smith-Lever Sections 3b&c.....	\$241,594,000	--	-\$13,111,000	\$228,483,000
Smith-Lever Section 3d:				
Priority Initiatives.....	--	--	+10,000,000	10,000,000
Ag Profitability.....	--	--	+10,000,000	10,000,000
Rural Revitalization.....	--	--	+2,000,000	2,000,000
Food and Nutrition Education.	58,635,000	--	-36,524,000	22,111,000
Pest Management.....	7,164,000	--	-7,164,000	--
Farm Safety.....	970,000	--	-970,000	--
Pesticide Impact Assessment..	1,633,000	--	+947,000	2,580,000
Urban Gardening.....	3,329,000	--	-3,329,000	--
Financial Management.....	1,427,000	--	-1,427,000	--
Integrated Reproductive Mgmt.	47,000	--	-47,000	--
Rural Development Centers....	903,000	--	-903,000	--
Renewable Resource Extension Act.	2,765,000	--	-2,765,000	--
D.C. Extension.....	935,000	--	+35,000	970,000
Section 1440 Grants.....	3,350,000	--	-3,350,000	--
1890 Colleges and Tuskegee University.....	18,291,000	--	--	18,291,000
1890's Facilities.....	9,508,000	--	-9,508,000	--
Federal Administration and Coordination.....	<u>7,412,000</u>	<u>+116,000</u>	<u>-2,421,000</u>	<u>5,107,000</u>
Total, Available.....	<u>357,963,000</u>	<u>+116,000</u>	<u>-58,537,000</u>	<u>299,542,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1987		1988		Increase or Decrease	1989	
	Actual	Staff:	Estimated	Staff:		Estimated	Staff:
	Amount	Years	Amount	Years		Amount	Years
1. Payments to States:							
a. Smith-Lever Act							
(1) Sections 3b & c							
Program.....	\$226,199,480	--	\$235,771,240	--	-\$12,746,560	\$223,024,680	--
Set-aside for							
Federal Admin-							
istration (4%)	5,507,520	--	5,822,760	--	-364,440	5,458,320	--
Subtotal, Sections							
3b & c.....	231,707,000	--	241,594,000	--	-13,111,000(1)	228,483,000	--
(2) Section 3(d):							
Program:							
Priority							
Initiatives....	--	--	--	--	+10,000,000	10,000,000	--
Ag Profit-							
ability.....	--	--	--	--	+10,000,000	10,000,000	--
Rural							
Revitalization..	--	--	--	--	+2,000,000	2,000,000	--
Food and Nutri-							
tion (EFNEP)...	57,635,000	--	58,635,000	--	-36,524,000	22,111,000	--
Pest Management..	7,164,000	--	7,164,000	--	-7,164,000	--	--
Farm Safety.....	970,000	--	970,000	--	-970,000	--	--
Pesticide Impact:							
Assessment.....	1,633,000	--	1,633,000	--	+947,000	2,580,000	--
Urban Gardening..	3,329,000	--	3,329,000	--	-3,329,000	--	--
Financial Mgmt..	1,427,000	--	1,427,000	--	-1,427,000	--	--
Integrated Re-							
productive Mgmt:	47,000	--	47,000	--	-47,000	--	--
Rural Develop-							
ment Centers....	689,000	--	903,000	--	-903,000	--	--
Set-aside for							
Federal Admin-							
istration (4%)..	--	--	--	--	(+880,000)	(880,000)	--
Subtotal, Section							
3(d).....	72,894,000	--	74,108,000	--	-27,417,000(2)	46,691,000	--
Total, payments under							
the Smith-Lever Act..	302,604,455	147	315,702,000	147	-40,528,000	275,174,000	147

Project	1987		1988		Increase or Decrease	1989	
	Actual	Staff:	Estimated	Staff:		Estimated	Staff:
	Amount	Years	Amount	Years		Amount	Years
b. Payments under Renewable Resources Extension Act.....	2,378,000	--	2,765,000	--	-2,765,000 (3)	--	--
c. Payments to the District of Columbia:							
Program.....	897,600	1	897,600	1	+33,600	931,200	1
Set-aside for Federal Administration (4%)...	37,400	--	37,400	--	+1,400	38,800	--
Total, payments to the District of Columbia.....	935,000	1	935,000	1	+35,000 (4)	970,000	1
d. Payments to 1890 Colleges and Tuskegee Univ.:							
Program.....	16,201,920	1	17,559,360	1	--	17,559,360	1
Set-aside for Federal Administration (4%)...	675,080	--	731,640	--	--	731,640	--
Total, payments to 1890 Colleges and Tuskegee University..	16,877,000	1	18,291,000	1	--	18,291,000	1
e. 1890's Facilities..	--	--	9,508,000	--	-9,508,000 (5)	--	--
f. Payments under Section 1440:							
Program.....	3,350,000	--	3,350,000	--	-3,350,000	--	--
Set-aside for Federal Administration (4%)...	--	--	--	--	--	--	--
Total, payments under Section 1440..	3,350,000	--	3,350,000	--	-3,350,000 (6)	--	--
2. Federal Administration and Coordination (Direct Appropriation)....	6,285,955	25	7,412,000	25	-2,305,000 (7)	5,107,000	25
Unobligated balance.....	4,545,045	--	--	--	--	--	--
Total available or estimated.....	338,972,000	174	357,963,000	174	-58,421,000	299,542,000	174
Transfer from the Food Stamp Program.....	-38,627,000	--	-39,627,000	--			
Total, appropriation:	300,345,000	174	318,336,000	174			

Explanation of Program

Appropriations for the Extension Service enable the U.S. Department of Agriculture to perform its partnership role with State and local counterparts to carry out Cooperative Extension work for the benefit of our Nation's farmers and ranchers, and agricultural industries, rural and urban communities, families and youth, and the ultimate consumers of agricultural goods and services.

Cooperative Extension work is authorized under the Smith-Lever Act of 1914, as amended; the Rural Development Act of 1972, as amended; and the District of Columbia Public Postsecondary Education Reorganization Act. The National Agricultural Research, Extension and Teaching Policy Act Amendments of 1981 and 1985 (Title XIV of the Agriculture and Food Acts of 1981 and 1985) also authorize the Federal Government, States and counties to implement cooperative Extension programs commensurate with needs stemming from changes in U.S. agricultural practices and the world food and agricultural situation.

The Extension Service, an agency in USDA, is a legislated partner in the cooperative effort with each State, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, the Northern Marianas, and Micronesia.

Extension work in States and counties is financed from Federal, State, county and local sources and is jointly planned with ES-USDA to provide educational programs adapted to national, state, and local problems and condition. Extension helps people identify and solve their farm, home, and community problems through use of research findings of the U.S. Department of Agriculture and the State Land-Grant colleges and universities.

JUSTIFICATION OF INCREASES/DECREASES

- (1) A decrease of \$13,111,000 in payments to states for formula funded programs under Section 3(c) of the Smith-Lever Act (\$241,594,000 available in FY 1988).

Need for Change. This funding level is required to continue Extension's efforts at program redirection, addressing National concerns and keeping the Cooperative Extension System relevant and on the "cutting edge." These funds, complemented by proposed new funding totaling \$22 million targeted to efforts in Priority Initiatives Projects, Agriculture Competitiveness and Profitability, and Rural Revitalization provide for the maintenance of a strong Extension commitment to its clientele groups. The priorities to be addressed with these and corresponding matching funds from the States are of keen National interest. The total funding for these initiatives discussed below together with Section 3b&c funding represents an increase of almost \$9 million over the 1988 enacted level. These levels allow our State and local partners to carry out National priorities while responding at the same time to local and regional problems and issues.

The Extension System, and its flexible network, is committed at redirecting program resources. Through the submission of annual State Plans of Work, State and county extension cooperators are redirecting core programs towards issues and concerns critical to the Nation as follows:

- Alternative Agricultural Opportunities
- Building Human Capital
- Competitiveness and Profitability in Agriculture
- Conservation and Management of Natural Resources
- Family and Economic Well-Being
- Improved Nutrition, Diet and Health
- Revitalizing Rural America
- Water Quality

ES-USDA and its State and local partners are in the process of implementing Extension programs based on these widely-supported priority issues.

Nature of Change. This proposal provides for the maximum effort of programs into specifically targeted activities. The focus of basic formula funds toward these priorities is essential to the continuing efficiency of the Cooperative Extension System, as it continues to address the needs of its clientele including those affected by the farm crisis.

- (2) A net decrease of \$27,417,000 for programs funded under Section 3(d) of the Smith-Lever Act (\$74,108,000 available in FY 1988).
- (a) An increase of \$10,000,000 for Priority Initiatives Projects (no funds available for FY 1988).

Need for Change. This Program is requested to accelerate the resources reallocation effort currently being implemented within the Cooperative Extension System, in conjunction with the National Priority Initiatives started in 1986 and concurrent efforts at issues programming. These initiatives were designed to establish a system-wide priority-setting process within Extension which will set in place long-range, strategic planning for all future Extension program development and direction.

Nature of Change. The \$10 million will be used to fund highly focused and innovative projects relative to areas of critical need of many farmers and families facing serious problems as evidenced by the farm and rural economic crisis. Program efforts need to be focused on priority issues to alleviate these problems. This proposed program will hasten the implementation of projects that would address these concerns, to include:

development and application of research-based integrated agricultural systems and approaches into problem-solving packages.

diversifying the rural economic base and developing alternative uses of rural resources.

addressing the food composition, quality and safety concerns of both producers and consumers.

protecting our water supply through more efficient management of agricultural chemicals and other contaminants.

developing capabilities in marketing, producing, and utilizing new agricultural products, services and enterprises.

developing production technology systems that would stimulate investments in cost-efficient and environmentally sound management of our resources.

This program has the potential of significantly enlarging the effectiveness of the nationwide effort in these areas. Projects will be funded on the basis of their merits within the following criteria: high potential for problem-solving; integrated system/multi-disciplinary approach; research-based; targeted to multiple goals; effective evaluation component and involvement of public/private sectors.

State Cooperators will be requested to develop and submit project proposals to ES-USDA for review and funding. The availability of State matching resources will be a required component for funding. The review and selection process at the federal level will assure that projects of high potential in addressing the issues vital to the economic and social progress of rural America will be funded.

(b) An increase of \$10,000,000 for Agriculture Competitiveness and Profitability (no funds available in FY 1988).

Need for Change. The problem of farm and ranch profitability which evolved in the 1970's continues to plague American agriculture. Over the last 3 years, the Cooperative Extension System provided intensive farm financial management assistance to 200,000 farm families confronted with severe financial problems. Future profitability depends on the ability of producers to maintain competitiveness in a global economy. The potential for profits hinges on economically efficient U.S. production and marketing systems and supportive agricultural, macroeconomic, and international trade policies. Farmers must adjust to current conditions where efficiency, optimization, and alternative sources of income may all be necessary to meet annual expenses. The problems are complex; yet, financially-related issues associated with agricultural production systems necessitate a national strategy to enhance profitability and improve competitiveness in American agriculture.

The Cooperative Extension System has initiated a national initiative to concentrate resources on issues critical to the Competitiveness and Profitability of American Agriculture. To ensure the credibility of the issues being addressed in this initiative, they were identified through a National Forum involving a broad spectrum of national, state, and local leaders: producers, commodity organizations, financial interests, agribusinesses, policymakers, researchers, and Extension. Major programs are now being developed by most State Extension Services to address these issues. Educational programs are being planned and implemented which incorporate interdisciplinary systems approaches that use and integrate marketing, production, financial management, and policy information that focuses on agricultural competitiveness and profitability.

Several of the organizations that participated in the National Extension Forum on Competitiveness and Profitability are already working in cooperation with Extension to implement a broad based systems approach to problem solving. The Cattlemen have held their initial planning session. The Wheat Industry has implemented a program called Test-20, practical systems approach which they expect to develop into a total systems approach. The Cotton Industry is also working with holistic approaches to problem solving and the Soybean Industry is ready to expand their efforts in this area. The National Research Council Board of Agriculture, Agricultural Council of America, the Governors Agricultural Council, The Agri Women's Coalition and others are seeking new alliances to work cooperatively with Extension in helping people solve real problems. The National Cancer Institute, American Heart Association, American Dietetics Association, National Cattlemen's Association, National Pork Producers Council, American Sheep Producers Council, National Livestock and Meat Board, American Meat Institute, three State Extension Services, and ES-USDA recently initiated program planning and development for a National red meat educational program.

Nature of Change. The proposed \$10 million would be distributed as follows: Four percent of the funds appropriated under this proposal will be used for administration. Ninety-six percent will be distributed to the states with 80 per cent of that amount to states on a full matching basis under the same formula used for Smith-Lever 3(b) and (c) funds. The remaining 20 percent will be used to finance, on a project selection, fully matching basis, highly innovative, issue oriented, and interdisciplinary problem solving demonstration projects.

National and regional demonstration projects would be conducted to develop comprehensive data base information systems. These data base systems are essential in developing problem-solving software and holistic approaches needed for U.S. farmers and ranchers to regain a competitive edge in all global agricultural economy. These holistic packages would be utilized to retrain state and local personnel in order that they might more closely relate their educational efforts to the changing global economic conditions. This will lead to better integrated recordkeeping and enterprise development activities.

- (c) An increase of \$2,000,000 for Rural Revitalization Programs (no funds available in FY 1988).

Need for Change. Rural America is at a critical juncture. Declines in farmland values, instability of net-farm income, and increased international competition for natural resource-based industries--timber, agriculture, mining, fishing, and petroleum--when combined with the loss of rural manufacturing jobs, threaten the vitality of rural institutions. This makes the crisis a reality for all Americans, urban and rural. They all have a stake in a strong, viable rural America.

The extension rural revitalization effort is the central outreach component for the newly established USDA six-point departmental rural regeneration initiative. Technological developments can contribute to enhancing the profitability and productivity of businesses, developing new products and stimulating new business opportunities. Extension is striving towards this national goal of rural revitalization education and information to sustain real economic growth.

Revitalizing rural America is a challenge that requires an integrated effort both within the Cooperative Extension System and in cooperation with many other organizations. Meeting the challenge necessitates that new and different knowledge and research be applied to changing needs for rural people, businesses, and communities. By devoting the same commitment and energy to rural revitalization as is applied to increasing agricultural efficiency, the Cooperative Extension System can help America (urban and rural) realize the full potential of its rural areas.

The thrust of this effort is to sustain real economic growth in rural areas through increased job creation, business & enterprise development, income generation, and revenue increases for local governments. The challenge for the Cooperative Extension System is to put the considerable information and education resources of the Cooperative Extension System to work on critical issues that maintain rural viability.

Nature of Change. These funds are essential in establishing the initial groundwork for the Cooperative Extension System to address this problem head-on. The States will be required to match this Federal proposal with an equal sum, for a \$4 million combined effort in FY 1989. These funds will be basically used to develop the State's capacity in dealing with this problem, particularly in areas where the problem is severe. In addition, a selected number of special projects designed to accelerate the capacity of States to respond to the problem will be funded.

These efforts will be supported by existing regional Rural Development Centers, several Rural Technology Centers and by a national Rural Information Center.

- (d) A decrease of \$36,524,000 in payments to States for the Expanded Food and Nutrition Education Program under Section 3(d) of the Smith-Lever Act (\$58,635,000 available in FY 1988).

Need for Change. EFNEP is designed to work closely with other federal food assistance programs to increase their effectiveness. This basic program would concentrate on: (1) continuing cooperation with food stamps, WIC and other programs to identify families needing assistance; (2) providing in-depth training for volunteers from either public or private organizations that can serve as extenders of EFNEP food and nutrition education; and (3) combining effective methods that capitalize on fewer personal contacts. The program would focus its major thrust to the most critical food and nutrition needs of low income families at local levels, providing flexibility to incorporate non-traditional teaching methods that are effective, especially helping low-income families with young children.

Funding at this level would include a basic EFNEP youth component. Food and nutrition principles would be taught in a setting which encourages physical activity to reinforce the relationship between food and fitness, and the vital relationship each plays in good health. The program would be closely allied with 4-H to involve youth in additional 4-H projects designed for youth development.

The youth portion of the program would specifically target low income youth with special needs and be coordinated with other related programs. It is anticipated that community support would further expand this EFNEP youth outreach and enhance the available resources to implement the core programs.

Nature of Change. Program sites will be concentrated on populous areas. This funding level allows the Extension Service to provide a nutrition education program to some of the recipients of Federal government food assistance programs. This reduced level will incorporate objectives and program improvements in order to allow EFNEP to reach more individuals than prior programs at the higher funding level. This is achieved by intensifying cooperation with food stamps, WIC and other programs, train volunteers for program delivery and blend the historic one-to-one relationships of EFNEP aides and clientele with the goal of small group involvement by participants, with teaching tailored to the shortest time frame possible.

- (e) An increase of \$947,000 for the National Agricultural Pesticides Impact Assessment Program (NAPIAP) (\$1,633,000 available in FY 1988).

Need for Change. These funds will provide support for the Cooperative Extension System's participation in the joint State-Federal National Agricultural Pesticide Impact Assessment Program (NAPIAP). The purpose of the program is to provide management and coordination of USDA and State activity to promote informed regulatory decisions on registered pesticides that significantly benefit U.S. agriculture without causing unreasonable adverse effects on the environment. EPA is required under Section six of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) to refer to the Secretary of Agriculture all proposed cancellation actions. The Secretary must be prepared to respond based upon the data that has been collected. It is through the State system that much of this information is derived and thus the need for these additional funds.

Recent developments regarding pesticides in ground water, residues in food, endangered species, and the general acceleration of EPA's reregistration program are placing increased pressure on the Agriculture system to provide the needed data. EPA has advised us that between 10 and 15 chemicals will enter their special review program annually as a result of the reregistration activity. This is a significant increase over recent years. The NAPIAP will be required to gather and analyze information on each of these chemicals as well as certain broader questions such as all of the fungicide chemicals. Research support is provided through the State Agricultural Experiment Stations and the Agricultural Research Service and additional economic analysis is conducted by the Economic Research Service.

Nature of Change. These funds will be utilized to support Extension participation on the assessment teams which will be formed to respond to Federal regulatory issues on specific or groups of pesticides. Without the requisite data, chemicals essential to agriculture production might be removed from the market place unnecessarily.

- (f) A decrease of \$13,840,000 for the earmarked programs listed below (\$13,840,000 available in FY 1988):

A decrease of \$7,164,000 for the Integrated Pest Management (IPA) Program (\$7,164,000 available in FY 1988)

A decrease of \$970,000 to eliminate earmarked funding for Farm Safety (\$970,000 available in FY 1988)

A decrease of \$3,329,000 to eliminate the Urban Gardening Program (\$3,329,000 available in FY 1988)

A decrease of \$1,427,000 to eliminate this special funding for assistance to farmers in Financial Management (\$1,427,000 available in FY 1988)

A decrease of \$47,000 for the Integrated Reproductive Management (IRM) Program (\$47,000 available in FY 1988)

A decrease of \$903,000 for support of Rural Development Centers (903,000 available in FY 1988)

Need for Change. Programs in these specific areas have been developed with prior earmarked funds. Funding from basic formula programs, State and local governments and private sources could be used to continue high priority aspects of these programs.

Nature of Change. This proposal will eliminate specifically earmarked funding for certain low priority programs under Section 3(d) of the Smith-Lever Act.

- (3) A decrease of \$2,765,000 to eliminate earmarked funding for the Renewable Resources Extension Act (P.L. 95-306) (\$2,765,000 available in FY 1988)

Need for Change. RREA funds have assisted State and local efforts to initiate and develop programs in forest and range conservation and utilization. These funds have stimulated additional State and local support for educational programs for small, private, non-industrial forest and range landowners. Elimination of this earmarked Federal RREA funding is being proposed in favor of non-earmarked formula funds and the development of national priority initiatives.

Nature of Change. This proposal will eliminate specifically earmarked funding for this program.

- (4) An increase of \$35,000 for extension programs in the District of Columbia (\$935,000 available in FY 1988)

Need for Change. An increase is proposed in Federal support to D.C. Extension consistent with other base formula funded Extension activities to continue high-priority programs of national concern.

Nature of Change. This proposal will increase funds for D.C. Extension provided under Section 209(c) of Public Law 93-471.

- (5) A decrease of \$9,508,000 for facilities improvement program at the 1890 Colleges and Tuskegee University (\$9,508,000 available in FY 1988)

Need for Change. This program, initiated in FY 1988, provided the 17 Institutions with start-up funds for the renovation, planning and development of new facilities. Additionally, equipment and materials were programmed to be obtained in order to upgrade the extension efforts to the unique clientele of these institutions. Currently, some States are providing the 1890 institutions with upgraded facilities.

Nature of Change. This proposal will eliminate specifically earmarked funding for this lower priority program.

- (6) A decrease of \$3,350,000 for payments to States under Section 1440 of the Food Security Act of 1985 (\$3,350,000 available in FY 1988)

Need for Change. Section 1440 Grants were given to the states of Nebraska, Iowa and Missouri in the amount of \$500,000 each. Additionally, \$1,850,000 was distributed in grants to 5 states to provide educational and counseling programs for economically distressed or displaced farmers. Major national initiatives to address issues of agricultural profitability and rural revitalization are proposed for FY 1989. Funding from these new programs and other sources is available to address the needs of economically distressed farmers.

Nature for Change. This proposal will eliminate specifically earmarked funding for this program.

- (7) A net decrease of \$2,305,000 for Federal Administration and Coordination (direct appropriation) (\$7,412,000 available in FY 1988).

- (a) A decrease of \$2,421,000 consisting of: \$333,000 for pilot projects on Technology Transfer; \$190,000 for a pilot project on Farm and Financial Management; \$433,000 for Rural Development work; \$750,000 for ATTRA; \$65,000 for Crambe and Rapeseed grant; and \$650,000 for the American Pacific Initiative.

Need for Change. Technology Transfer pilot projects in Oklahoma and Mississippi provided in FY 1988 are not being recommended for continuation. The funds provided during the past several years were sufficient to complete this demonstration project.

The pilot project on farm and financial management, Rural Development work, ATTRA, crambe and rapeseed work and the newly funded American Pacific Initiative, are also not being recommended for funding in FY 1988 because these concerns will be addressed under the new initiatives proposed in this budget request.

Nature of Change. This proposal will eliminate funding support for special projects dealing with technology transfer, farm and financial management, Rural Development work, ATTRA, crambe and rapeseed and the America Pacific Initiative.

- (b) An increase of \$116,000 to annualize 1988 pay costs.

Table I
 APPROPRIATION FOR PAYMENTS TO STATES
 STATE ALLOTMENTS, FY 1987 - 1989

Smith-Lever Act: Section 3(b) & 3(c)	FY 1987	FY 1988	Total Proposed for FY 1989
ALABAMA	\$ 5,080,451	\$ 5,231,812	\$ 5,056,826
ALASKA	716,494	751,085	711,097
AMERICAN SAMOA	612,636	641,034	608,207
ARIZONA	1,269,502	1,325,754	1,260,720
ARKANSAS	4,252,194	4,391,819	4,230,399
CALIFORNIA	5,068,562	5,292,406	5,033,626
COLORADO	1,994,240	2,080,741	1,980,739
CONNECTICUT	1,503,832	1,567,538	1,493,885
DELAWARE	846,797	887,978	840,373
FLORIDA	2,931,623	3,066,343	2,910,600
GEORGIA	5,626,201	5,820,150	5,595,928
GUAM	645,025	675,325	640,293
HAWAII	917,392	953,304	911,785
IDAHO	1,784,185	1,869,751	1,770,833
ILLINOIS	6,667,574	6,957,331	6,622,347
INDIANA	5,973,126	6,245,485	5,930,618
IOWA	6,329,603	6,625,561	6,283,416
KANSAS	3,729,185	3,887,790	3,704,431
KENTUCKY	6,393,951	6,641,167	6,355,364
LOUISIANA	3,768,911	3,893,054	3,749,538
MAINE	1,504,787	1,568,663	1,494,818
MARYLAND	2,290,996	2,383,356	2,276,584
MASSACHUSETTS	1,883,739	1,962,241	1,871,486
MICHIGAN	6,082,367	6,339,179	6,042,288
MICRONESIA	659,496	692,347	654,372
MINNESOTA	5,954,056	6,216,814	5,913,044
MISSISSIPPI	5,308,645	5,447,039	5,287,050
MISSOURI	5,899,557	6,155,277	5,859,643
MONTANA	1,677,708	1,754,358	1,665,744
NEBRASKA	3,361,054	3,512,199	3,337,468
NEVADA	722,336	758,166	716,747
NEW HAMPSHIRE	1,057,558	1,110,041	1,049,371
NEW JERSEY	1,852,582	1,929,934	1,840,510
NEW MEXICO	1,372,791	1,428,607	1,364,083
NEW YORK	5,753,781	5,980,962	5,718,328
NORTH CAROLINA	8,513,199	8,793,146	8,469,505
NORTH DAKOTA	2,338,267	2,437,431	2,322,787
OHIO	7,334,499	7,649,909	7,285,269
OKLAHOMA	3,793,785	3,939,478	3,771,043
OREGON	2,360,079	2,470,842	2,342,796
PENNSYLVANIA	7,187,212	7,480,070	7,141,505
PUERTO RICO	5,491,953	5,594,387	5,475,962
RHODE ISLAND	720,348	754,094	715,081
SOUTH CAROLINA	4,164,504	4,291,462	4,144,693
SOUTH DAKOTA	2,410,966	2,516,695	2,394,462
TENNESSEE	6,192,901	6,404,242	6,159,922
TEXAS	8,557,769	8,872,600	8,508,634
UTAH	1,114,982	1,163,165	1,107,460
VERMONT	1,186,311	1,239,850	1,177,959
VIRGIN ISLANDS	626,914	656,922	622,227
VIRGINIA	5,132,695	5,310,606	5,104,925
WASHINGTON	2,803,224	2,928,383	2,783,691
WEST VIRGINIA	2,987,710	3,092,014	2,971,430
WISCONSIN	5,950,282	6,212,219	5,909,397
WYOMING	1,002,141	1,048,236	994,946
NO. MARIANA IS.	592,893	620,969	588,516
Subtotal	\$191,955,571	\$199,521,331	\$190,774,771
3(b) Special Needs	1,544,909	1,544,909	1,544,909
3(c) Fed. Administration	5,507,520	5,822,760	5,458,320
Total	\$199,008,000	\$206,889,000	\$197,778,000

Table IA
 APPROPRIATION FOR PAYMENTS TO STATES
 PESTICIDE IMPACT ASSESSMENT, FY 1987 - 1989

Smith-Lever Act: Section 3(d)	FY 1987	FY 1988	Total Proposed for FY 1989
Alabama	\$ 24,287	\$ 24,287	\$ 24,287
Alaska	8,491	8,491	8,491
Arizona	17,980	17,980	17,980
Arkansas	37,917	37,917	37,917
California	82,862	82,862	82,862
Colorado	18,976	18,976	18,976
Connecticut	11,155	11,155	11,155
Delaware	10,940	10,940	10,940
Florida	34,080	34,080	34,080
Georgia	53,195	53,195	53,195
Guam	8,620	8,620	8,620
Hawaii	11,177	11,177	11,177
Idaho	18,770	18,770	18,770
Illinois	75,047	75,047	75,047
Indiana	39,000	39,000	39,000
Iowa	72,061	72,061	72,061
Kansas	32,535	32,535	32,535
Kentucky	21,032	21,032	21,032
Louisiana	23,126	23,126	23,126
Maine	13,573	13,573	13,573
Maryland	16,505	16,505	16,505
Massachusetts	14,331	14,331	14,331
Michigan	31,916	31,916	31,916
Minnesota	48,656	48,656	48,656
Mississippi	38,171	38,171	38,171
Missouri	35,076	35,076	35,076
Montana	16,419	16,419	16,419
Nebraska	48,392	48,392	48,392
Nevada	9,744	9,744	9,744
New Hampshire	9,552	9,552	9,552
New Jersey	14,796	14,796	14,796
New Mexico	11,847	11,847	11,847
New York	29,003	29,003	29,003
North Carolina	43,402	43,402	43,402
North Dakota	20,430	20,430	20,430
Ohio	39,700	39,700	39,700
Oklahoma	26,461	26,461	26,461
Oregon	20,264	20,264	20,264
Pennsylvania	24,268	24,268	24,268
Puerto Rico	8,519	8,519	8,519
Rhode Island	10,400	10,400	10,400
South Carolina	25,400	25,400	25,400
South Dakota	19,430	19,430	19,430
Tennessee	22,795	22,795	22,795
Texas	73,493	73,493	73,493
Utah	11,519	11,519	11,519
Vermont	10,193	10,193	10,193
Virgin Islands	8,987	8,987	8,987
Virginia	22,933	22,933	22,933
Washington	26,116	26,116	26,116
West Virginia	11,408	11,408	11,408
Wisconsin	33,276	33,276	33,276
Wyoming	10,774	10,774	10,774
Subtotal	\$ 1,409,000	\$ 1,409,000	\$ 1,409,000
Special Projects	224,000	224,000	-
Undistributed	-	-	1,171,000
Total	\$ 1,633,000	\$ 1,633,000	\$ 2,580,000

Table IB
 APPROPRIATION FOR PAYMENTS TO STATES
 FOOD AND HUMAN NUTRITION EDUCATION, FY 1987 - 1989

Smith-Lever Act: Section 3(d)	FY 1987	FY 1988	Total Proposed for FY 1989
Alabama	\$ 1,883,912	\$ 1,909,987	\$ 739,852
Alaska	164,549	167,319	63,255
American Samoa	56,608	58,834	-
Arizona	531,143	540,929	202,554
Arkansas	1,200,384	1,217,178	471,203
California	3,107,844	3,176,441	1,157,749
Colorado	526,317	536,142	200,564
Connecticut	429,127	437,352	162,754
Delaware	210,527	214,036	81,165
Florida	1,927,801	1,962,548	737,861
Georgia	2,050,212	2,078,891	805,521
Guam	56,716	58,980	-
Hawaii	245,287	249,260	95,095
Idaho	277,481	282,209	107,035
Illinois	2,019,404	2,054,606	775,671
Indiana	1,143,633	1,161,060	447,323
Iowa	860,702	872,584	339,864
Kansas	658,769	669,282	256,284
Kentucky	1,582,275	1,604,610	620,452
Louisiana	1,777,368	1,805,330	688,112
Maine	400,798	406,907	156,784
Maryland	798,995	812,655	308,024
Massachusetts	918,561	935,358	351,803
Michigan	1,692,427	1,719,074	658,265
Micronesia	59,807	63,224	-
Minnesota	944,694	958,948	369,713
Mississippi	1,629,449	1,651,913	638,362
Missouri	1,475,782	1,498,087	576,672
Montana	281,933	286,603	109,025
Nebraska	512,401	520,090	200,564
Nevada	161,833	164,957	61,265
New Hampshire	226,002	229,893	87,135
New Jersey	1,011,115	1,030,817	383,643
New Mexico	481,825	490,213	184,644
New York	3,212,399	3,275,257	1,217,449
North Carolina	2,405,750	2,436,917	952,780
North Dakota	328,027	332,701	128,925
Ohio	2,081,187	2,114,874	807,511
Oklahoma	997,868	1,013,662	387,623
Oregon	465,803	474,736	176,684
Pennsylvania	2,557,607	2,598,069	996,560
Puerto Rico	1,304,587	1,349,553	425,433
Rhode Island	287,680	292,421	111,015
South Carolina	1,453,642	1,472,586	574,682
South Dakota	370,058	375,477	144,844
Tennessee	1,882,196	1,908,453	739,852
Texas	3,984,795	4,047,981	1,547,787
Utah	291,544	297,019	111,015
Vermont	223,440	226,837	87,135
Virgin Islands	56,140	58,190	-
Virginia	1,607,478	1,630,076	632,391
Washington	641,893	653,952	244,343
West Virginia	929,838	942,695	365,732
Wisconsin	907,746	922,737	351,802
Wyoming	179,152	182,087	69,224
No. Mariana Is.	55,769	57,683	-
Subtotal	\$ 57,530,280	\$ 58,490,280	\$ 22,111,000
Fed. Administration	104,720	144,720	-
Total	\$ 57,635,000	\$ 58,635,000	\$ 22,111,000

TABLE IC
 APPROPRIATIONS FOR PAYMENTS TO THE 1890 LAND-GRANT COLLEGES
 AND TUSKEGEE UNIVERSITY, FY 1987 - 1989

Food and Agr'l Acct: Section 1444	FY 1987	FY 1988	Total Proposed for FY 1989
ALABAMA:			
Alabama A&M University	\$ 887,840	\$ 957,792	\$ 957,792
Tuskegee University	887,840	957,792	957,792
ARKANSAS:			
University of Arkansas at Pine Bluff	788,272	854,233	854,233
DELAWARE:			
Delaware State College	293,798	315,925	315,925
FLORIDA:			
Florida A&M University	708,640	770,688	770,688
GEORGIA:			
Fort Valley State College	1,032,040	1,120,609	1,120,609
KENTUCKY:			
Kentucky State University	1,278,435	1,393,496	1,393,496
LOUISIANA:			
Southern University and A&M College	738,361	796,120	796,120
MARYLAND:			
University of Maryland- Eastern Shore	565,497	609,787	609,787
MISSISSIPPI:			
Alcorn State University	904,712	969,275	969,275
MISSOURI:			
Lincoln University	1,247,845	1,367,832	1,367,832
NORTH CAROLINA:			
North Carolina A&T State University	1,587,817	1,713,983	1,713,983
OKLAHOMA:			
Langston University	761,026	830,324	830,324
SOUTH CAROLINA:			
South Carolina State College	784,653	843,346	843,346
TENNESSEE:			
Tennessee State University	1,186,949	1,284,727	1,284,727
TEXAS:			
Prairie View A&M University	1,543,280	1,686,778	1,686,778
VIRGINIA:			
Virginia State University	1,004,915	1,086,653	1,086,653
Subtotal	\$16,201,920	\$17,559,360	\$17,559,360
Fed. Administration	675,080	731,640	731,640
TOTAL	\$16,877,000	\$18,291,000	\$18,291,000

TABLE II

APPROPRIATION FOR PAYMENTS TO STATES
BASIS OF ALLOTMENT AND MATCHING REQUIRED, FISCAL YEAR 1989

Item	Total Estimate 1989	Allotment	Amount Paid Without Matching	Amount Required Matching
Smith-Lever Act Sec 3(b)	228,483,000	56,475,091 -Fixed by Sec 3(b) PL 87-749 1,544,909- Spec'l Need	14,513,808 --	41,961,283 1,544,909
Sec 3(c)		(139,758,000) 53,519,872 -farm pop. 53,519,872 -rural pop. 27,259,936 -equally & 5,458,320 -for fed'l admin. & coord. Sec. 3 (c)1	6,458,320	133,299,680
Retirement & Employee Compensation Cost		15,252,000 -Fed'l contribution	15,252,000	--
Penalty Mail		15,453,000 -Reimbursement to Postal Service	15,453,000	--
Section 3(d)	46,691,000	22,111,000 -EFNEP 10,000,000 -Priority Initiatives 10,000,000 -Ag Comp. & Profit. 2,000,000 -Rural Revitalization 2,580,000 -PIA	22,111,000 10,000,000 2,320,000 2,000,000 2,580,000	-- -- 7,680,000 -- --
Title XIV, Food/ Ag Act 1977, Sec 1444, as amended, 1890 Colleges	18,291,000	(18,291,000) 731,640 -Fed'l Admin 17,559,360 -Bal. paid 1890 Colleges & Tuskegee	18,291,000	--
D.C. Public Postsecondary Education Reorganization Act	970,000	(970,000) 38,800 -Fed'l Admin 931,200 -Bal. paid to Univ. of D.C.	38,800	931,200
SUBTOTAL	294,435,000	294,435,000	109,017,928	185,417,072
Fed'l Admin	5,107,000			
TOTAL, FY89	299,542,000			

TABLE III
SOURCES OF FUNDS ALLOTTED FOR COOPERATIVE EXTENSION WORK
For Fiscal Year Ending September 30, 1988

States	Grand Total	Total Federal Funds	Total Within States	Funds From Federal Sources				Renewable Res. Extension Act	Section 1444 1890 Colleges	Funds from Non-Federal Sources	
				Penalty Mail	Smith-Lever Act Retirement	ATL Other				State (Est.)	County Non-Tax (Est.)
Alabama	28,670,636	10,269,536	18,401,100	376,829	471,317	7,423,225	82,581	1,915,584	15,774,400	2,224,600	402,100
Alaska	5,908,210	1,235,010	4,673,200	43,732	71,898	1,076,915	42,465		4,014,700	--	658,500
American Samoa	715,579	715,579	--	15,711	--	699,868	--	--	--	--	--
Arizona	9,179,531	2,411,494	6,768,037	118,508	163,547	2,090,183	39,256	--	6,440,533	278,108	49,396
Arkansas	22,021,721	7,553,034	14,468,687	303,496	407,167	5,916,789	71,349	854,233	13,112,708	1,280,328	75,651
California	58,065,087	9,803,286	48,261,801	612,798	62,365	9,040,728	87,395	--	36,726,759	9,015,234	2,519,808
Colorado	15,589,809	3,242,391	12,347,418	182,945	183,893	2,829,879	45,674	--	6,343,427	5,753,213	250,778
Connecticut	5,369,331	2,275,106	3,094,232	110,351	8,190	2,156,565	--	--	2,937,120	65,500	577,105
Delaware	3,061,387	1,567,670	1,493,717	47,767	42,004	1,181,974	--	315,925	1,281,449	126,768	--
Florida	39,228,441	6,952,729	32,275,712	378,616	380,400	5,366,490	66,535	770,688	17,514,511	13,627,629	1,123,572
Georgia	51,644,871	10,832,837	40,812,034	513,589	680,636	8,429,003	89,000	1,120,609	29,945,880	7,224,830	3,641,324
Guam	1,445,203	776,843	668,360	23,918	--	752,925	--	--	591,890	--	76,480
Hawaii	5,102,199	1,386,359	3,715,840	35,690	1,282,761	1,282,761	--	--	3,715,840	--	--
Idaho	8,272,318	2,590,718	5,681,600	124,997	148,692	2,269,750	47,279	--	4,252,000	1,420,000	9,600
Illinois	28,042,686	10,782,006	17,260,680	585,926	521,588	9,624,004	50,488	--	11,187,797	2,242,797	--
Indiana	27,439,654	8,640,106	18,799,548	469,359	384,823	7,745,064	40,860	--	10,029,039	8,324,365	466,144
Iowa	30,119,856	8,761,960	21,357,896	461,822	478,913	7,821,225	23,209	--	13,621,294	7,568,278	168,324
Kansas	27,567,087	5,620,098	21,946,989	330,471	515,792	4,750,626	58,512	1,193,486	14,057,642	6,757,804	271,808
Kentucky	31,661,973	10,846,527	20,815,446	473,960	554,731	8,365,823	69,744	796,120	15,446,920	562,836	--
Louisiana	23,877,960	7,840,396	16,037,564	361,018	467,855	6,145,659	56,907	--	3,149,000	455,000	55,000
Maine	5,995,290	2,336,290	3,659,000	98,229	92,991	2,088,163	--	609,787	12,779,082	1,948,514	763,246
Maryland	20,078,964	4,588,122	15,490,842	211,981	285,899	3,454,036	26,419	--	7,437,350	998,189	454,436
Massachusetts	12,290,005	3,400,030	8,889,975	189,437	19,492	3,153,450	37,651	--	17,510,608	1,193,842	--
Michigan	26,148,104	9,443,654	18,704,450	477,961	503,665	8,393,688	68,140	--	93,410	--	--
Micronesia	874,530	781,120	93,410	25,549	--	755,571	--	--	14,661,801	7,984,310	2,972,151
Minnesota	34,080,654	8,462,392	25,618,262	435,157	531,914	7,446,437	48,894	--	13,472,637	1,793,166	1,062,808
Mississippi	25,597,232	9,268,621	16,328,611	356,294	398,367	7,470,127	74,558	969,275	13,686,178	2,778,745	1,999,924
Missouri	28,809,686	10,344,839	18,464,847	454,542	399,008	8,063,341	60,116	1,367,832	2,611,384	2,625,605	489,269
Montana	8,197,057	2,470,799	5,726,258	125,736	134,965	2,156,400	31,603	--	9,102,824	4,923,159	1,218,424
Nebraska	20,113,051	4,868,674	15,244,377	263,061	281,277	4,302,701	31,233	--	2,834,983	1,930,071	--
Nevada	5,901,056	1,136,002	4,765,054	52,386	61,496	990,887	28,023	--	1,364,127	1,709,156	--
New Hampshire	4,682,901	1,609,613	3,073,283	74,277	88,812	1,418,506	88,812	--	6,315,260	3,845,425	--
New Jersey	13,812,572	3,651,887	10,160,685	194,262	206,116	3,217,067	34,442	--	4,735,033	21,345,205	6,811,679
New Mexico	8,634,797	2,297,647	6,337,150	103,551	150,339	1,999,687	44,070	--	9,732,433	11,261,971	1,601,000
New York	48,783,123	10,893,806	37,889,317	652,666	268,527	9,893,241	79,372	1,713,983	25,751,057	2,026,000	525,000
North Carolina	53,385,939	14,771,915	38,614,024	645,386	814,381	11,513,979	84,186	--	4,578,377	11,261,971	1,601,000
North Dakota	10,382,327	3,252,950	7,129,377	157,741	205,627	2,889,582	--	--	11,281,625	9,163,666	485,500
Ohio	31,910,003	10,979,212	20,930,791	557,355	200,762	10,169,002	52,093	--	13,725,921	3,816,812	956,000
Oklahoma	27,249,583	6,750,820	20,498,763	209,634	364,569	5,220,246	36,047	830,324	10,265,000	2,300,000	1,200,000
Oregon	27,632,262	3,667,262	23,965,000	198,759	291,664	3,095,852	80,977	--	4,734,508	95,000	286,555
Puerto Rico	12,418,342	7,397,279	5,021,063	265,019	127,781	7,004,479	--	--	874,966	15,000	--
Rhode Island	2,154,125	1,169,159	984,966	41,260	12,964	1,114,935	--	--	16,167,245	253,000	30,900
South Carolina	24,042,332	7,591,187	16,451,145	309,420	366,094	6,009,001	63,326	843,346	3,230,504	1,800,000	290,314
South Dakota	8,625,908	3,305,090	5,320,818	168,868	125,600	3,010,622	--	--	15,806,000	3,376,066	126,500
Tennessee	30,344,092	11,035,526	19,308,566	462,096	545,259	8,678,514	64,930	1,284,727	31,696,338	13,669,674	234,549
Texas	63,122,554	17,521,993	45,600,561	856,011	1,120,198	13,773,213	85,791	1,686,778	5,149,400	1,288,387	191,700
Utah	8,420,955	1,791,468	6,629,487	94,281	126,836	1,540,723	29,628	--	2,777,365	--	--
Vermont	4,482,353	1,704,988	2,777,365	73,574	71,700	1,534,900	24,814	--	434,698	--	--
Virgin Islands	1,194,339	759,641	434,698	4,423	734,099	7,093,634	76,163	1,086,653	26,216,200	7,677,600	--
Virginia	43,273,054	9,379,254	33,893,800	427,465	695,339	7,093,634	76,163	--	8,520,562	4,118,000	450,000
Washington	17,503,570	4,415,008	13,088,562	237,358	271,226	3,833,471	72,953	--	2,664,721	2,458,642	62,922
West Virginia	9,742,798	4,556,513	5,186,285	202,108	194,966	4,104,137	55,302	--	13,600,000	10,200,000	750,000
Wisconsin	32,988,295	8,438,295	24,550,000	470,080	434,743	7,471,751	61,721	--	2,894,217	1,407,483	--
Wyoming	5,810,813	1,509,113	4,301,700	69,263	96,896	1,110,117	32,837	--	31,725	--	--
No. Mariana Islands	722,688	690,963	31,725	12,311	--	678,652	387,000	--	--	--	--
Unallotted 1/	20,671,589	20,671,589	--	--	--	20,284,589	--	--	--	--	--
GRAND TOTAL	1,142,976,631	342,242,560	800,734,071	15,453,090	15,252,000	291,213,200	2,765,000	17,559,360	552,227,850	210,110,815	38,395,406
District of Columbia 2/	1,980,600	897,600	1,083,000	--	--	897,600	--	--	--	1,083,000	--

1/ \$1,770,909 for various special projects; \$1,427,000 for Farm Financial Management Project; \$387,000 to fund the Renewable Resources Extension Act program in seven additional States; \$903,000 to fund five regional rural development centers; \$1,840,000 for the Federal Employees Retirement System (FERS); \$3,216,000 for Section 1444 grants; and \$9,127,680 for Section 1416 grants to the 1890 Colleges and Tuskegee University for use in upgrading Extension facilities.

2/ O.C. Public Postsecondary Education Reorganization Act.

Extension Service
Geographic Breakdown of Obligations
1987 and Estimated 1988 and 1989
(Amounts in 000's)

State/Territory	FY-1987 Actual Obligations	<u>Estimated Obligations</u>	
		FY-1988	FY-1989
Alabama	9,743	10,270	8,738
Alaska	1,116	1,235	934
American Samoa	322	716	653
Arizona	2,598	2,411	1,821
Arkansas	7,238	7,553	6,445
California	9,241	9,803	7,176
Colorado	3,134	3,242	2,655
Connecticut	2,153	2,275	1,850
Delaware	1,492	1,588	1,380
Florida	6,462	6,963	5,349
Georgia	10,049	10,833	8,967
Guam	753	777	704
Hawaii	1,299	1,386	1,159
Idaho	2,495	2,591	2,257
Illinois	10,244	10,782	8,875
Indiana	8,337	8,640	7,547
Iowa	8,232	8,762	7,937
Kansas	5,381	5,620	5,000
Kentucky	10,124	10,847	9,670
Louisiana	7,339	7,840	5,593
Maine	2,161	2,336	1,921
Maryland	4,313	4,588	3,803
Massachusetts	3,130	3,400	2,525
Michigan	8,750	9,444	7,975
Micronesia	454	781	714
Minnesota	8,422	8,462	7,565
Mississippi	8,750	9,269	7,327
Missouri	9,589	10,345	8,953
Montana	2,446	2,471	2,130
Nebraska	4,501	4,869	4,284
Nevada	1,166	1,136	937
New Hampshire	1,496	1,610	1,362
New Jersey	3,432	3,652	2,717
New Mexico	2,312	2,298	1,871
New York	10,780	10,894	8,117
North Carolina	13,813	14,772	12,923
North Dakota	3,154	3,253	2,937
Ohio	10,092	10,979	9,211
Oklahoma	6,360	6,751	5,828
Oregon	3,626	3,667	3,143
Pennsylvania	10,394	11,196	9,203
Puerto Rico	7,075	7,397	6,407
Rhode Island	1,126	1,169	925
South Carolina	7,148	7,591	6,392
South Dakota	3,074	3,305	2,961
Tennessee	10,544	11,036	9,429
Texas	16,328	17,522	14,112
Utah	1,844	1,791	1,500
Vermont	1,662	1,705	1,476
Virgin Islands	739	760	687
Virginia	8,970	9,379	8,150
Washington	4,141	4,415	3,689
West Virginia	4,364	4,557	3,851
Wisconsin	7,846	8,438	7,465
Wyoming	1,478	1,509	1,288
No. Mariana Islands	256	691	629
District of Columbia	908	898	931
Sub-total	304,396	322,470	270,048
Sp. Project/Fed. Adm.	30,031	35,493	29,494
Total	334,427	357,963	299,542

NATIONAL AGRICULTURAL LIBRARY

Purpose Statement

The National Agricultural Library (NAL) had its mission outlined by the Organic Act of 1862, establishing the Department of Agriculture. The act, as amended, sets forth a mission, "to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture, rural development, aquaculture and human nutrition, in the most comprehensive and general sense of the word," and placed upon the Secretary the responsibility to "Procure and preserve all information concerning agriculture, rural development, aquaculture, and human nutrition, which he can obtain by means of books..."

The NAL serves as the Nation's chief agricultural information resource. It provides agricultural information products and services through traditional library functions and through modern electronic dissemination to agencies of the USDA, public and private organizations, and individuals. The NAL coordinates a national network of public and private libraries consisting of the land-grant colleges and universities, other state supported colleges and universities with agriculturally related programs, other public organizations, industry, and other private sector organizations. The NAL provides a leadership role in U.S. participation in international agricultural library and information systems and in efforts to promote worldwide availability of agricultural information.

The NAL has as its ultimate purpose facilitating access to and use of information about agriculture and related sciences by all those who need the information. In addition to providing traditional library services such as bibliographies, reference services and document delivery to agricultural scientists and researchers, NAL is expanding its role and serving a wider audience by using modern information dissemination technology to its fullest. While the library has concentrated its thrust towards agricultural researchers, the wider audience includes Federal, State and local administrators, and agricultural extension and education personnel as well as the farmer, the small businessman, public groups at all levels, and the general public.

With approximately 1.9 million volumes of printed material on agriculture and supporting scientific disciplines, NAL has one of the largest collections of its kind in the world. Both current and historical information is collected and organized for effective utilization by a wide range of users, especially in AGRICOLA, the NAL database of 2.5 million citations to agriculture publications. The NAL also provides input of U.S. publications to AGRIS, the International Information System for the Agricultural Sciences and Technology.

The basic operations of the National Agricultural Library are located in the NAL Building at Beltsville, Maryland. Specialized services are provided from a reference center in Washington, D.C. Service is provided from both these locations as well as 18 officially designated USDA field libraries in the States and 38 smaller USDA centers containing a total of approximately a quarter of a million volumes.

As of September 30, 1987, the NAL employment was 173 permanent full time and 19 other than permanent, all located in Beltsville and Washington.

NATIONAL AGRICULTURAL LIBRARY

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

	1987	1988	1989
	Actual	Estimated	Estimated
	Amount	Staff: Years	Staff: Years
	Amount	Years	Amount
National Agricultural Library.....	\$11,098,000	178	\$12,194,000 : 192 : \$13,599,000 : 194 :
Obligations under other USDA			
appropriations:			
Agricultural Research Service:			
Current Awareness Literature			
Service.....	583,296	---	558,879 : --- : 558,879 : --- :
Translation Service.....	26,512	1	30,000 : 1 : 30,000 : 1 :
Space Costs.....	174,170	---	175,000 : --- : 175,000 : --- :
Travel to ARS Libraries.....	6,921	---	7,000 : --- : 7,000 : --- :
Laser Disk Project.....	10,000	---	---
Postage and Mail Service.....	21,700	---	20,600 : --- : 21,000 : --- :
Agricultural Marketing Service:			
Space Costs	16,314	---	17,200 : --- : 17,200 : --- :
Animal and Plant Health			
Inspection Service:			
Current Awareness Literature			
Service.....	20,588	1	21,604 : 1 : 21,604 : 1 :
Translation Service.....	21,422	1	22,000 : 1 : 22,000 : 1 :
Animal Welfare Costs.....	716,468	2	750,000 : 2 : --- : --- :
Cooperative State Research			
Service:			
Postage and Mail Service	3,900	---	7,100 : --- : 7,100 : --- :
Space.....	19,838	---	20,454 : --- : 20,454 : --- :
Air-Conditioning Work.....	20,000	---	---
Aquaculture Library Services..	8,162	---	34,208 : 1 : 34,208 : 1 :
Publications Service.....	7,000	---	---
Extension Service:			
Current Awareness Literature			
Service.....	12,241	1	15,190 : 1 : 15,190 : 1 :
Appropriated Technology			
Transfer for Rural Areas.....	9,430	---	10,000 : --- : 10,000 : --- :
4-H Research Data Base.....	2,650	---	---
Study of Rubber.....	5,000	---	---
Economic Research Service:			
Current Awareness Literature			
Service.....	3,042	---	2,471 : --- : 2,471 : --- :
Translation Service.....	---	---	890 : --- : 890 : --- :
Forest Service:			
Current Awareness Literature			
Service.....	14,691	---	8,623 : --- : 8,623 : --- :
Translation Service.....	1,902	---	2,000 : --- : 2,000 : --- :
Indexing Service.....	---	---	22,951 : 1 : 25,000 : 1 :
Photo Collection.....	41,751	1	45,000 : 1 : - - : --- :
Food Safety and Inspection Ser.:			
Current Awareness Literature			
Service.....	6,126	---	3,196 : --- : 3,196 : --- :
Translation Service.....	---	---	401 : --- : 401 : --- :
Food Irradiation Database.....	19,891	---	20,000 : --- : 20,000 : --- :
Food and Nutrition Service:			
Lending Services.....	110,000	---	110,000 : --- : 110,000 : --- :
Human Nutrition Information			
Service:			
Current Awareness Literature			
Service.....	7,397	---	6,821 : --- : 6,821 : --- :

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appropriations:			
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Space Costs.....	174,170	---	175,000 : --- : 175,000 : --- :
Travel to ARS Libraries.....	6,921	---	7,000 : --- : 7,000 : --- :
Laser Disk Project.....	10,000	---	--- : --- : --- : --- :
Postage and Mail Service.....	21,700	---	20,600 : --- : 21,000 : --- :
Agricultural Marketing Service:			
Space Costs	16,314	---	17,200 : --- : 17,200 : --- :
Animal and Plant Health			
Inspection Service:			
Current Awareness Literature			
Service.....	20,588	1	21,604 : 1 : 21,604 : 1 :
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Cooperative State Research			
Service:			
Postage and Mail Service	3,900	---	7,100 : --- : 7,100 : --- :
Space.....	19,838	---	20,454 : --- : 20,454 : --- :
Air-Conditioning Work.....	20,000	---	--- : --- : --- : --- :
Aquaculture Library Services..	8,162	---	34,208 : 1 : 34,208 : 1 :
Publications Service.....	7,000	---	--- : --- : --- : --- :
Extension Service:			
Current Awareness Literature			
Service.....	12,241	1	15,190 : 1 : 15,190 : 1 :
Appropriated Technology			
Transfer for Rural Areas.....	9,430	---	10,000 : --- : 10,000 : --- :
4-H Research Data Base.....	2,650	---	--- : --- : --- : --- :
Study of Rubber.....	5,000	---	--- : --- : --- : --- :
Economic Research Service:			
Current Awareness Literature			
Service.....	3,042	---	2,471 : --- : 2,471 : --- :
Translation Service.....	---	---	890 : --- : 890 : --- :
Forest Service:			
Current Awareness Literature			
Service.....	14,691	---	8,623 : --- : 8,623 : --- :
Translation Service.....	1,902	---	2,000 : --- : 2,000 : --- :
Indexing Service.....	---	---	22,951 : 1 : 25,000 : 1 :
Photo Collection.....	41,751	1	45,000 : 1 : - - : --- :
Food Safety and Inspection Ser.:			
Current Awareness Literature			
Service.....	6,126	---	3,196 : --- : 3,196 : --- :
Translation Service.....	---	---	401 : --- : 401 : --- :
Food Irradiation Database.....	19,891	---	20,000 : --- : 20,000 : --- :
Food and Nutrition Service:			
Lending Services.....	110,000	---	110,000 : --- : 110,000 : --- :
Human Nutrition Information			
Service:			
Current Awareness Literature			
Service.....	7,397	---	6,821 : --- : 6,821 : --- :

NATIONAL AGRICULTURAL LIBRARY

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff: Years:	Amount	Staff: Years:	Amount	Staff: Years:
Office of International						
Cooperation & Development:						
Current Awareness Literature						
Service.....	6,625	---	7,535	---	7,535	---
Soil Conservation Service:						
Translations Service.....	---	---	415	---	415	---
Travel Costs.....	907	---	---	---	---	---
Miscellaneous Activities.....	12,742	---	35,468	---	72,013	--1
Total Other USDA						
Appropriations.....	1,910,684	7	1,955,000	9	1,199,000	7
Total Agricultural						
Appropriations.....	13,008,684	185	14,049,000	201	14,798,000	201
Other Federal Funds						
Department of Commerce, NTIS:						
Sale of Photocopies.....	22,842	---	25,000	---	26,000	---
Sale of Data Base Tapes.....	35,047	---	40,000	---	45,000	---
Environmental Protection						
Agency:						
Bibliographic Services.....	48,550	----	80,000	---	80,000	---
Other Federal Funds.....	106,439	---	145,000	---	151,000	---
Total, NAL.....	13,115,123	185	14,194,000	201	14,949,000	201

Full-Time Equivalent Staff-Years:

	1987	1988	1989
	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Ceiling.....	176	190	190
Non-Ceiling.....	9	11	11
Total	<u>185</u>	<u>201</u>	<u>201</u>

UNITED STATES DEPARTMENT OF AGRICULTURE

NATIONAL AGRICULTURAL LIBRARY

PERMANENT POSITIONS BY GRADE AND STAFF-YEAR SUMMARY

1987 and Estimated 1988 and 1989

GRADE	1987 HEADQUARTERS	1988 HEADQUARTERS	1989 HEADQUARTERS
ES-5	1	1	1
GS/GM-15	5	5	5
GS/GM-14	3	3	3
GS-GM-13	20	20	20
GS-12	26	28	28
GS-11	28	31	31
GS-9	7	8	8
GS-8	4	4	4
GS-7	22	24	24
GS-6	34	37	37
GS-5	14	16	16
GS-4	6	6	6
GS-3	3	3	3
Total, Permanent Positions	173	186	186
Staff-Years:			
Ceiling	176	190	190
Non-Ceiling	9	11	11
Total, Staff Years	185	201	201

NATIONAL AGRICULTURAL LIBRARY

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation			
Headquarters.....	<u>\$4,980,463</u>	<u>\$5,445,000</u>	<u>\$5,488,000</u>
11 Total Personnel Compensation.....	4,980,463	5,445,000	5,488,000
12 Personnel Benefits	641,969	786,000	837,000
13 Benefits for Former Personnel.....	<u>5,064</u>	<u>---</u>	<u>---</u>
Total Pers. Comp. & Benefits.....	<u>5,627,496</u>	<u>6,231,000</u>	<u>6,325,000</u>
Other Objects:			
21 Travel.....	81,706	86,000	93,000
22 Transportation of things.....	8,796	15,000	18,000
23 Communications, utilities and other rent.....	665,003	700,000	840,000
24 Printing and reproduction.....	151,148	175,000	210,000
25 Other services.....	2,087,599	1,921,000	3,262,000
26 Supplies and materials.....	1,494,637	1,871,000	2,251,000
31 Equipment.....	651,446	400,000	600,000
41 Grants.....	<u>3,000</u>	<u>370,000</u>	<u>---</u>
Total Other Objects	<u>5,143,335</u>	<u>5,963,000</u>	<u>7,274,000</u>
Total Direct Obligations	<u>10,770,831</u>	<u>12,194,000</u>	<u>13,599,000</u>

Position Data:

Average Salary, ES positions	\$72,500	\$72,500	\$72,500
Average Salary, GS/GM positions	\$28,241	\$29,088	\$29,379
Average Grade GS/GM positions	9.14	8.94	8.94

NATIONAL AGRICULTURAL LIBRARY

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

National Agricultural Library

For necessary expenses of the National Agricultural Library, [\$12,194,000] \$13,599,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$35,000 shall be available for employment under 5 U.S.C. 3109: Provided further, that not to exceed [575,000] \$775,000 shall be available pursuant to 7 U.S.C. 2250 for the alteration and repair of buildings and improvements: [Provided further, that \$370,000 shall be available for a grant pursuant to section 1432 of the National Agricultural Research, Extension and Teaching Policy Act of 1977 (7 U.S.C. 3318)]

The first change increases the cost limitation to enable NAL to perform all repairs and alterations essential for NAL building improvements this fiscal year. In addition to the normal repair, alteration and improvements; this year, NAL will have a one time expense of \$578,000 for the replacement of chillers and transformers. This dollar limitation is necessary for FY 1989, thereafter, the amount can revert back to the normal \$575,000. Funds are provided from within the appropriation.

The second change deletes language providing funds in FY 1988 to the Leflar School of Law, University of Arkansas, Fayetteville, Arkansas by means of a grant.

NATIONAL AGRICULTURAL LIBRARY

Appropriation Act, 1988.....	\$12,194,000
Budget Estimate, 1989.....	<u>13,599,000</u>
Increase in Appropriation.....	<u>+1,405,000</u>

SUMMARY OF INCREASES
(On basis of appropriation)

<u>Items of Change</u>	<u>1988 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Technology Transfer				
Information Center.....	- -	- -	+\$450,000	\$ 450,000
Rural Information Center.....	\$ 113,500	- -	+450,000	563,500
Federal/Land Grant Network.....	30,000	- -	+200,000	230,000
All Other.....	<u>12,050,500</u>	<u>\$+124,000</u>	<u>+181,000</u>	<u>12,355,500</u>
Total Available.....	<u>\$12,194,000</u>	<u>\$+124,000</u>	<u>\$1,281,000</u>	<u>\$13,599,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

<u>PROJECT</u>	<u>1987 Actual</u>		<u>1988 Estimated</u>		<u>Increase</u>	<u>1989 Estimated</u>	
	<u>Amount</u>	<u>:Staff: :Years:</u>	<u>Amount</u>	<u>:Staff: :Years:</u>		<u>Amount</u>	<u>:Staff :Years</u>
1. Agricultural Library	:	:	:	:	:	:	:
Services for Research	:	:	:	:	:	:	:
and Education.....	\$10,470,831:	178 :	\$11,894,000:	192 :	+\$1,127,000:	\$13,021,000:	194
2. Repair and Maintenance	:	:	:	:	:	:	:
of Facilities.....	300,000:	--- :	300,000:	--- :	278,000:	578,000:	---
Unobligated Balance.....	<u>327,169:</u>	<u>--- :</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total available or estimate:	<u>11,098,000:</u>	<u>178 :</u>	<u>12,194,000:</u>	<u>192 :</u>	<u>+1,405,000:</u>	<u>13,599,000:</u>	<u>194</u>
Total Appropriation	<u>: 11,098,000:</u>	<u>178 :</u>	<u>: 12,194,000:</u>	<u>192 :</u>			

EXPLANATION OF PROGRAMS

The basic function of the National Agricultural Library (NAL) is to identify, acquire, disseminate, and deliver pertinent food and agriculture information to all scientists, researchers, administrators, and others working in agricultural fields in both the government and private sectors. To meet user needs, the NAL is working with libraries at Land-grant universities and other institutions to develop a network to enhance access to information. NAL also maintains an extensive collection of agricultural publications and provides access to these publications through AGRICOLA, its' master bibliographic database. The NAL also provides current awareness and retrospective searches on worldwide agricultural literature through other computer-based systems of interest to agricultural scientists and educators.

One essential NAL program involves advanced information technologies. The NAL has intensified its efforts to enhance and expand its information-providing capabilities by testing the exciting possibilities of the new technology, including computer-based and video technology, both often coupled with recently developed and developing laser technology, and artificial intelligence software. The NAL staff strive to identify and evaluate these advanced technologies to determine their potential for improving agricultural information access and use. As these advanced technologies are applied to specific projects, NAL works to transfer these new information technologies to other agricultural organizations which could benefit from their adoption. Such technologies have great potential for making information more widely available in a more timely way and in greater depth than ever before. By using advanced information technology, NAL will be better able to promote the organization and availability of agricultural information to the national and international agriculture communities.

The NAL serves a dual role as the primary literature source for the American agricultural community and as a national authority among libraries and information centers here and abroad. As part of its responsibility for processing of agricultural serials, the NAL recently became a self-authenticating member of the Conversion of Serials (CONSER) Project coordinated by the Library of Congress. NAL also has obtained independent status in the Library of Congress' Name Authorities (NACO) project to build a national name authority file for agricultural serials publications. The NAL also is cooperating with the National Library of Medicine on sharing collection responsibilities for veterinary science and human nutrition literature.

The NAL engages in a wide range of international activities relating to worldwide collection and dissemination of information on agriculture and related subjects. Its AGRICOLA database is accessible online in 30 foreign nations. The Library is the designated U.S. center for AGRIS, the international agricultural information system of the United Nations' Food and Agriculture Organization (FAO) and provides essential support to the FAO's Aquatic Science and Fisheries Information System (ASFIS). Under a cooperative arrangement with the Commonwealth Agricultural Bureaux (CAB), the NAL is building its own controlled vocabulary based on that developed by the CAB. With NAL encouragement, including greater personal and institutional contacts, the exchange of agricultural information with both the Peoples' Republic of China and the Soviet Union has expanded significantly.

A national education and training program designed to inform actual and potential users about NAL operations, resources, and services offers workshops and demonstrations in cooperation with agricultural institutions, professional and trade organizations across the country. The emphasis in this program is on the use of online bibliographic files and other computer services. A newly developed interactive video disc is expected to expand training capabilities both in this country and internationally. Briefings, tours and exhibits are provided for domestic and foreign visitors to the NAL.

The NAL is developing network plans in a systematic fashion while seizing opportunities for specific cooperative projects which can eventually be linked to serve as the framework for the broad network. One of these cooperative activities is the Aquaculture Library Network, created under the leadership of the NAL to support four Regional Aquaculture Centers. The Network members seek to provide an information linkage between the extension and research development which will take place within each region. In another cooperative activity, coordinating the development of conspectuses and collection coverage in the field of agriculture, NAL has negotiated an agreement with the National Library of Medicine in the fields of veterinary science and nutrition and currently is negotiating biotechnology and animal welfare. These agreements assure complete coverage in these fields while avoiding unnecessary duplication of resources. Several other cooperative projects concern research and development of information technology. Projects for use of full text files on laser optical disc and for text digitizing involve land-grant libraries as participants and principal investigators. NAL is working with one land-grant institution to create an interactive laser disc course, called AGRICOLearn, for training in the use of the AGRICOLA on-line database. Some land-grant libraries are cooperating with NAL by contributing subject modules toward an agricultural information expert system, coordinated at NAL. Finally, for the broad national network, a draft outline plan has been circulated to the land-grant university librarians for review and discussion at the American Library Association Midwinter Meeting in January 1988.

Cooperating on the international level, NAL, an input center and U.S. coordinator for the AGRIS international agricultural information system of the Food and Agriculture Organization of the United Nations (FAO), has eliminated overlap of journal coverage between AGRIS and AGRICOLA by dropping coverage of 269 serial titles indexed by other AGRIS participants. The Library of the Chinese Academy of Agricultural Sciences in Beijing has agreed to provide indexing for Chinese periodicals to be added to the AGRIS database. NAL will cease indexing of the agricultural literature from the Peoples' Republic of China and concentrate on other agricultural material not indexed in either AGRICOLA or AGRIS. NAL encourages other countries to index more of the publications originating in their own country as NAL concentrates its resources on indexing U.S. literature.

Acquisitions of agricultural materials from 150 countries and in more than 30 languages continues to be a major activity in carrying out the mission of the library components of NAL. Translations of publications are now available to Library users. Other primary activities for fiscal years 1987, 1988, and 1989 are as follows:

<u>Types of Activities</u>	<u>Estimated Productivity</u>		
	<u>FY 1987 Actual</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>
Serial Issues Added	164,496	165,000	166,000
Number of Titles Cataloged	17,828	17,500	17,750
Articles Indexed	90,000	95,000	100,000
Pages Preserved	422,800	483,000	483,000
Document Requests Filled	176,402	185,402	194,672
Reference Inquiries Answered	23,579	24,758	25,996
Automated Searches Conducted	5,458	6,004	6,604
Current Awareness (CALS) Searches	101,572	111,729	122,901
Current Awareness (CALS) Profiles by all databases	1,451	1,596	1,754

A major function of the bibliographic program is organization of materials for use of researchers and announcement of newly published research to the agricultural community. This includes cataloging books and journals acquired for the collection, and indexing journal articles, conference proceedings, and reports selected for their importance to agricultural research and education. Resources of the collection are made available through direct loan, interlibrary loan of books, and photocopy of journal articles. Requests for documents from

USDA field employees are handled locally in 37 States in cooperation with land-grant university libraries whenever possible, with the NAL serving as a backup for document delivery.

In response to increasing demand for technical information on agriculture, the NAL continues to expand its collection development and information access programs through coordination of holdings with and among land-grant universities and through international exchange programs with foreign governments, universities, and research centers. It initiates and implements cooperative indexing and cataloging projects with public and private institutions and strengthens agricultural library and information activities nationally through development and adoption of standardized formats and processing procedures essential for national networking.

The NAL must also provide for collection preservation. This includes the microfilming and restoring of important documents, unbound serial issues, newspapers, and historical materials. In the past NAL supported a nationwide project to assist in microfilming documents of all land-grant institutions, especially the bulletins, circulars, reports, and other miscellaneous publications of the State agricultural experiment stations and agricultural extension services. A promising alternative to microfilming is the full-text digitizing technology. The emphasis in preservation will possibly move in that direction in the future. The preserved collection is both a valuable research tool for a wide variety of subjects and a practical reference resource for the farmer and the lay public.

The NAL and forty-one land-grant libraries have entered into a cooperative project to test new methods of capturing full-text and images in digital format for publication through media such as CD-ROM discs. Because much of the U. S. and world literature on agricultural and application remains difficult to access due to the cost of in-depth indexing and/or abstracting by humans, this cooperative text digitizing project will provide for the use of CD-ROM laser discs as a storage and dissemination medium which will allow for sophisticated searching of the full text. The data base can be retained in a standard format and utilized in other ways in the future. Retaining the database in electronic form also provides the possibility of preservation in a medium more stable than paper. Much literature is subject to eventual disappearance because of the disintegration of the acidic paper on which it appears.

Justification of Increases

- (1) An increase of \$450,000 to establish the Technology Transfer Information Center (No funding available in FY 1988.)

Need for Change.

The National Agricultural Library (NAL) serves as the Nation's primary agricultural information resource. The ultimate purpose is to facilitate access to and use of information about agriculture and related sciences by all those who need the information. Since NAL is the focal point for agricultural information, it must also expand its role to serve a wider audience to disseminate agricultural information that promotes technology advances, to Federal, State, and local administrations, agricultural extension and education personnel, as well as the farmer, small businessman, public groups, and the general public.

Nature of Change.

Through a project jointly sponsored by the National Agricultural Library (NAL), the Extension Service (ES), and the Agricultural Research Service (ARS) an integrated information dissemination system is proposed to expedite technology transfer. The system will provide the overall umbrella under which specific subject areas are addressed. The specific objectives of this system are: (a) rapidly responding to agriculture/environment issues; (b) developing, linking, and accessing databases on these issues; (c) identifying emerging issues or concerns to be addressed; and (d) providing users with access to on-line computer and hot line services that would help them to: (1) identify and evaluate alternatives and apply problem-solving and decision-making aids and (2) identify and seek out ongoing research/demonstrations and sources of expertise for further assistance.

With the ever increasing volume of information and knowledge on agricultural subjects, and the development and application of new technologies that help access these vast amounts of materials, NAL will establish a structured Center dealing with technology transfer to those businesses and individuals who need such data. This center will encourage incorporation of this emphasis in existing and new information centers and utilize their subject expertise.

- (2) An increase of \$450,000 for the Rural Information Center (\$113,500 available in FY 1988.)

Need for Change.

To maintain the vitality of rural America, there is a need to address several critical issues. They are: (1) The economic competitiveness of rural areas is diminishing; (2) Rural communities are dependent on too few new sources of income; (3) Service demands on local governments and community organizations are growing while attendant resources are diminishing; (4) Rural families and communities are having difficulty adjusting to the impact of present economics, and social change on rural life; (5) Rural revitalization is dependent on skilled community leadership; and (6) The quality of the natural resource base is critical to revitalizing rural communities.

Nature of Change.

The first subject area that the proposed technology transfer system would be applied to is Rural Revitalization. In conjunction with ES and ARS, an Information Center will be established to provide rural community officials, farmers, researchers, extension specialists, and educators with up-to-date answers from published materials in a single phone call. The Center will function as a clearing house for information with an 800 "hot line" telephone number. Advanced technologies will be utilized by

NAL, and to the extent possible, promoted within the total agricultural information network. Expert systems have proved valuable tools in other NAL information centers, they will be developed and expanded to assist the Center staff to focus on questions and answers. The NAL resources in this subject area will be enhanced as necessary, including materials in books and periodicals, tapes, databases, etc. Regularly scheduled outreach activities such as presentation to selected audiences, attendance at professional meetings, exhibits, demonstrations of new technology will all be a part of the Center's activities. Also, to be developed are customized information products or finding aids such as directories of experts, institutions, associations, and current research, as well as bibliographies and guides to the literature. The Extension Service is proposing funds to support the Rural Information Center as part of the Secretary's Rural Revitalization Initiative. These efforts serve to provide a link between specific user groups, or individual needs and the vast resources to which NAL has access, including those located outside NAL.

- (3) An increase of \$200,000 for the Federal/Land-Grant Network System (\$30,000 available in FY 1988.)

Need for Change.

The National Agricultural Library is establishing a network of libraries to participate in cooperative projects, which are both mutually beneficial and cost effective for the libraries, their patrons and the taxpayers of the United States. Through this network, unique strengths of the various Land-Grant libraries can be identified and developed in a coordinated manner to avoid costly duplication. NAL will fill a leading role in developing cooperative studies and cooperative projects in collection development, information sharing, building centers of excellence, cooperative indexing and cataloging, preservation, document delivery, and joint new technology application projects. Establishment of the network will allow NAL to respond to the needs of research scientists, educators and other users by tapping existing strengths of the Land-Grant libraries rather than duplicating major subject area capabilities.

Nature of Change.

Funds proposed for 1989 are required to develop and implement a coordinated plan which will serve as a framework for the establishment and continuing coordination of specific cooperative projects having a bilateral and multi-lateral impact, and to initiate certain network programs. NAL will provide the infrastructure and support for network meetings, and to strengthen cooperative development of network services and the specialized collections in which they are based. Other cooperative programs in research and development of useful information technologies will be encouraged. NAL will also provide the training necessary to implement and maintain appropriate services throughout.

This will build on existing cooperative efforts, such as the project involving over 40 Land-Grant libraries that create bibliographic records of their state agricultural publications for the AGRICOLA database. This NAL-Land-Grant state publications project is one in which institutions cooperate in the acquisition, cataloging, indexing and provision of document delivery of state agricultural publications. As a result, many state publications that previously were not available can be searched and used by the world. In addition, NAL can turn resources previously used to catalog state publications to the cataloging of other U.S. documents.

Another very significant cooperative effort within this area is the joint text digitizing project where 43 Land-Grant Universities have joined with NAL to plan and fund a 2-year project to digitize library materials for patrons use and for preservation.

- (4) An increase of \$181,000 to provide for general increased operating expenses for library materials, data base services, and equipment.

Need for Change

The National Agricultural Library serves as the Nation's chief agricultural information resource. NAL's mission is to "procure and preserve all information concerning agriculture, rural development, aquaculture, and human nutrition, which he can obtain by books." With approximately 1.9 million volumes of printed material on agriculture and supporting scientific disciplines, NAL has one of the largest collections of its kind in the world. Both current and historical information is collected for effective utilization by a wide range of users. The NAL serves as the primary literature source for the american agricultural community and as a national authority among libraries and information centers.

Because of the devaluation of the U.S. dollar, the ability of all North American libraries to purchase foreign monographs and journals on agriculture related matter has been adversely affected. The affects on NAL is no exception. Costs to obtain these important foreign articles have increased the last few years by approximately 20-25 percent each year. In addition, domestic serials, titles, and monographs have increased in cost by approximately 8-10 percent per year over the last few years.

Increase in database costs are caused in part by increases in searching costs and in part by increased usage. As NAL establishes more information centers, such as those for Rural Development and Agricultural Trade and Marketing Information Centers, to support the information needs of the agricultural community, the result is more database usage. Searching online databases is one of the most effective approaches to identify information resources. Such usage is critical to the NAL mission of timely and effective information delivery to the agricultural community.

NAL has a commitment to deliver information to the agricultural community as effectively as possible. Various projects utilizing laser storage technologies, microcomputers and online systems have shown significant improvements in information access over more traditional methods. However, specialized equipment is necessary to use these new technologies. In order to enable NAL to use these new methods most effectively a significant increase in equipment is necessary. Microcomputers with modems offer the facility to search remote databases and then manipulate data locally. The attachment of a CD-ROM player allows access to millions of characters of data on laser storage technologies. These are critical tools to enable NAL to move into the new electronic information age.

Nature of Change:

This increase for FY 1989 for library materials will assist NAL in acquisitioning materials to maintain current literature on agriculturally related subjects for users of such data. In addition, this additional funding will help offset the rising costs associated with equipment of advanced technology as well as the costs related to increased database usage and services.

- (5) An increase of \$124,000 to annualize the FY 1988 pay costs.

NATIONAL AGRICULTURAL LIBRARY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
District of Columbia...\$	131,649	4	179,210	6	179,210	6
Maryland.....	10,640,182	174	12,014,790	186	13,419,790	188
Total, Available or Estimate.....	<u>10,770,831</u>	<u>178</u>	<u>12,194,000</u>	<u>192</u>	<u>13,599,000</u>	<u>194</u>

SOIL CONSERVATION SERVICE

Purpose Statement

The Soil Conservation Service (SCS) was established pursuant to Public Law 74-46, known as the Act of April 27, 1935, (16 U.S.C. 590a-590f). Technical programs are carried out in cooperation with conservation districts and other sponsoring local organizations. SCS provides technology transfer through soil conservation districts to landusers, communities, watershed groups, Federal and State agencies, and other cooperators with erosion control and water management problems to bring about needed land treatments and physical adjustments in land use. The purpose is to improve and conserve soil and water resource quantity and quality, improve agriculture, and reduce damage caused by floods and sedimentation.

The Soil Conservation Service has general responsibility for administration of the following programs of the Department of Agriculture:

Conservation Operations is authorized by Public Law 74-46, (16 U.S.C. 590a-590f). Activities include:

1. Conservation technical assistance provided to district cooperators and other landusers in the planning and application of conservation treatments to control erosion and improve the quantity and quality of soil resources, improve and conserve water, enhance fish and wildlife habitat, conserve energy, improve woodland, pasture and range conditions, and reduce upstream flooding; all to protect and enhance the natural resource base.

Information regarding national inventories and appraisals of the resource base are provided to States, districts and other organizations. Technical assistance is provided to monitor and develop effective conservation programs.

2. Soil surveys are made to inventory the Nation's basic soil resources and to determine land capabilities and conservation treatment needs. Soil survey publications include interpretations useful to cooperators, other Federal agencies, state and local organizations.

3. Snow survey and water forecasting from basic data collected to provide estimates of annual water availability from high mountain snow packs and relating this to summer stream flow in the western States and Alaska. Information is used by agriculture, industry, and cities in estimating future water supplies.

4. Operation of plant materials centers to assemble, test, and encourage increased use of plant species which show promise for use in the treatment of conservation problem areas.

Water Resource Management and Protection provides for cooperation between the Federal Government and States and their political subdivisions to reduce damage from floodwater, sediment, and erosion, for the conservation, development, utilization and disposal of water, and for the conservation and proper utilization of land. Activities under this item include:

1. River Basin surveys and investigations are authorized by the Watershed and Flood Prevention Act, Public Law 83-566, Section 6, August 4, 1954, (16 U.S.C. 1006).

The program involves cooperation with other Federal, State, and local agencies in the conduct of river basin surveys and investigations and flood plain management assistance to aid in the development of coordinated water resource programs, including the development of guiding principles and procedures.

2. Watershed planning and construction activities are authorized by the Watershed and Flood Prevention Act, as amended, Public Law 83-566, August 4, 1954, (16 U.S.C. 1001-1008) and the Flood Control Act of 1944, Public Law 78-534, (33 U.S.C. 701b-1). Planning work consists of (a) making preliminary investigations to

assess proposed watershed projects in response to requests made by sponsoring local organizations and (b) providing assistance to sponsors in the development of watershed work plans. SCS is responsible for development of guiding principles and procedures used in project planning.

The program provides for cooperation with local sponsors, State, and other public agencies in the installation of planned works of improvement in approved watershed projects and in the 11 authorized flood prevention projects. Such works of improvement reduce erosion, floodwater, and sediment damage. They also further the conservation, development, utilization, and disposal of water, including the development of multipurpose facilities for such uses as recreation, improvement of fish and wildlife habitat, irrigation, and water supply to municipal and industrial users.

3. Emergency operations authorized by Section 216, Public Law 81-516, (33 U.S.C. 701b-1) and Sections 403-405, Public Law 95-334, (16 U.S.C. 2203-2205)

Emergency operations provide for the installation of emergency measures for runoff retardation and soil-erosion prevention, in cooperation with landowners and landusers, as the Secretary deems necessary to safeguard lives and property from floods, drought, and the products of erosion on any watershed whenever fire, flood, or any other natural occurrence is causing or has caused a sudden impairment of that watershed.

Great Plains Conservation Program

The Great Plains Conservation Program is authorized by Public Law 84-1021, as amended, (16 U.S.C. 590p (b)). The program's objective is to bring about a long-term solution to problems resulting from drought and the cultivation of land unsuited for sustained crop production in the 10 Great Plains States. Activities include:

1. Cost-sharing of permanent conservation practices under long-term contracts with farmers and ranchers in designated counties in the 10 Great Plains States.

2. Cost-share programming and contract administration and technical assistance to help make needed land use adjustments and install conservation measures specified in basic conservation plans in accordance with contract schedules.

Resource Conservation and Development Program

Section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703), (7 U.S.C. 1010-1011) provides authority to assist locally sponsored Resource Conservation and Development Projects to conduct programs of land conservation and use in areas where acceleration of present conservation activities are needed and where projects add economic opportunities to the people. This program provides the delivery system supporting the Department's Rural Development initiatives.

Program Administration: The Soil Conservation Service maintains its central office in Washington, D.C. Most of its activities are carried out in about 3,050 field offices in the 50 States and Puerto Rico. Four technical service centers provide program coordination and technical support. This includes services such as engineering, watershed planning, cartographic work, soil mechanics laboratories, information, professional help in agronomy, soils, biology, forestry, plant materials, range conservation, and other technical work. As of September 30, 1987 there were 11,561 full-time employees and 2,238 part-time, intermittent, and other employees. Of these, 403 full-time employees and 11 other employees were located in the Headquarters.

Available Funds and Staff-Years
1987 and Estimated, 1988 and 1989

ITEM	1987 Actual		1988 Estimated		1989 Estimated	
	Amount 1/	Staff Years	Amount	Staff Years	Amount	Staff Years
Soil Conservation Service:						
Conservation Operations...	\$399,671,000:	9,000	\$443,910,000:	10,024	\$455,208,000:	10,024
Water Resource Management and Protection.....	197,830,000:	2,193	186,575,000:	2,049	116,000,000:	1,531
Great Plains Conservation Program.....	20,474,000:	225	20,474,000:	220	6,013,000:	40
Resource Conservation and Development.....	25,020,000:	388	25,120,000:	401	25,020,000:	408
Total.....	642,995,000:	11,806	676,079,000:	12,694	602,241,000:	12,003
Deduct allotments to other agencies:						
ERS.....	(+12,170)	--	--	--	--	--
FS.....	- 5,361,117:	-87	-4,605,000:	-73	-2,199,000:	-28
FmHA.....	-330,000:	-12	-315,000:	-10	-180,000:	-6
Net.....	637,316,053:	11,707	671,159,000:	12,611	599,862,000:	11,969
Obligations under other						
USDA appropriations:						
Reimbursements for technical services to:						
Agricultural Conservation Program (ASCS).....	8,180,041:	255:	8,493,000:	260	--	--
Experimental Rural Clean Water Program (ASCS).....	828,365:	27:	800,000:	25	800,000:	25
Water Bank Program (ASCS)	356,343:	11:	360,000:	11	--	--
Emergency Conservation Program (ASCS).....	210,563:	5:	200,000:	5	--	--
Conservation Reserve Prog.2/:	10,181,402:	198:	14,900,000:	283	13,000,000:	283
Colorado Salinity Program	835,500:	8:	1,600,000:	40	--	--
Foreign Details and Assignments (OICD).....	1,178,442:	19:	1,300,000:	20	1,300,000:	20
Soil Survey (FS).....	539,181:	13:	550,000:	13	550,000:	13
Accelerate Soil Surveys....	1,150,166:	31:	1,173,000:	31	1,173,000:	31
Other: planning and application.....	503,972:	10:	513,000:	10	513,000:	10
Plant Materials Centers						
Operations.....	26,000:	--:	27,000:	--	27,000:	--
USDA Cooperative Surveys..	25,000:	--:	30,000:	--	30,000:	--
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc.....	3,440,358:	--:	3,473,000:	--	3,454,000:	--
Proceeds of sales.....	93,028:	--:	86,700:	--	78,000:	--
Miscellaneous.....	710,393:	1:	775,000:	1	774,000:	1
Total, Other USDA Appropriations.....	28,258,754:	578:	34,280,700:	699	21,699,000:	383
Total, Agriculture Appropriations.....	665,574,807:	12,285:	705,439,700:	13,310	621,561,000:	12,352
Obligations under other						
Federal appropriations:						
Reimbursement for technical services for:						
Soil surveys (Interior)..	207,139:	5:	211,000:	5	211,000:	5
Accelerate Soil Surveys..	767,310:	23:	1,000,000:	24	1,000,000:	24
Welton Mohawk Salinity Control (Interior).....	7,078:	--:	7,000:	--	7,000:	--
Other: planning and application.....	940,053:	18:	960,000:	18	960,000:	18
Snow Survey and Water Forecasting.....	123,368:	1:	126,000:	1	126,000:	1
Plant Materials Center						
Operations.....	86,944:	2:	89,000:	2	89,000:	2
Cooperative surveys (RB).	86,500:	2:	139,700:	3	214,200:	4

Available Funds and Staff-Years 1987 and Estimated, 1988 and 1989 - Continued

ITEM	1987 Actual		1988 Estimated		1989 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Flood Insurance Studies (HUD).....	359,926:	10:	580,000:	12:	--:	--
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc.....	177,316:	--:	178,000:	--:	178,000:	--
Proceeds of sales.....	139,717:	--:	161,550:	--:	114,200:	--
Financial assistance.....	23,878:	--:	30,000:	--:	--:	
Miscellaneous.....	872,906:	13:	868,800:	13:	818,800:	11
Allocation from Other Federal Agencies:						
Rural Abandoned Mine Program (DOI-OSM).....	9,395,207:	103:	15,263,518:	117:	--:	--
Obligations under non-Federal Funds:						
Reimbursement for technical service for:						
Planning and application.	1,693,905:	49:	1,728,000:	49:	1,728,000:	49
Accelerate Soil Surveys..	4,463,955:	123:	5,145,000:	137:	5,145,000:	137
Snow Survey and Water Forecasting.....	64,355:	1:	78,000:	1:	78,000:	1
Plant Materials Centers..						
Operations.....	89,760:	--:	92,000:	--:	92,000:	--
A&E Contracts.....	22,242:	--:	100,000:	--:	50,000:	--
Cooperative River Basin Surveys.....	74,294:	1:	130,300:	2:	215,800:	5
Watershed Planning.....	204,500:	5:	385,000:	8:	260,000:	5
Abandoned Mine Reclamation:	131,368:	4:	200,000:	4:	200,000:	4
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc.....	394,286:	--:	393,000:	--:	393,000:	--
Proceeds of sales.....	726,518:	--:	772,000:	--:	701,000:	--
Financial Assistance.....	16,489,985:	--:	20,726,750:	--:	16,958,800:	
Miscellaneous.....	567,993:	4:	578,200:	5:	583,200:	5
Trust funds:						
Small Watershed and RC&D projects and soil surveys	1,284,758:	15:	560,000:	15:	560,000:	12
(Subtotal).....	(67,654,115)	(957)	(84,783,518)	(1,115)	(52,382,000)	(666)
Total, Soil Conservation Service.....	704,970,168:	12,664:	755,942,518:	13,726:	652,244,000:	12,635

	1987 Actual	1988 Estimated	1989 Estimated
Full-Time Equivalent Staff-Years:			
Ceiling.....	12,395	14,177 3/	12,395
Non-ceiling.....	269	265	240
Total.....	12,664	14,442	12,635

1/ Conservation Operations - Excludes \$861 carryover for FY 1987 and \$31,513 carryover for FY 1988.

Water Resource Management and Protection - Excludes \$47,271,818 carryover for FY 1987 and \$22,635,587 carryover for FY 1988.

Great Plains Conservation Program - Excludes \$15,342 carryover for FY 1987 and \$136,068 carryover for FY 1988.

Resource Conservation and Development - Excludes \$1,119,934 carryover for FY 1987 and \$1,679,573 carryover for FY 1988.

2/ Funding shows amounts actually used or anticipated.

3/ Ceiling mandated by Congress. A total of 13,461 staff years will be supported within available funds.

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Head- quarters	Field	Total 1/	Head- quarters	Field	Total 1/	Head- quarters	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-5	6	--	6	6	--	6	6	--	6
ES-4	10	--	10	10	1	11	10	1	11
ES-3	1	--	1	3	--	3	3	--	3
ES-2	2	--	2	2	2	4	2	2	4
ES-1	2	--	2	2	--	2	2	--	2
GS/GM-15	48	49	97	48	53	101	44	49	93
GS/GM-14	83	82	165	83	89	172	76	82	158
GS/GM-13	74	495	569	74	520	594	68	479	547
GS-12	31	1,198	1,229	36	1,266	1,302	33	1,165	1,198
GS-11	16	3,490	3,506	21	3,692	3,713	19	3,396	3,415
GS-10	1	4	5	4	1	5	4	1	5
GS-9	18	1,877	1,895	20	1,987	2,007	17	1,828	1,845
GS-8	8	128	136	9	135	144	8	125	133
GS-7	25	1,502	1,527	27	1,591	1,618	25	1,463	1,488
GS-6	38	1,084	1,122	41	1,147	1,188	37	1,056	1,093
GS-5	12	788	800	13	834	847	12	767	779
GS-4	12	323	335	13	342	355	12	315	327
GS-3	3	77	80	3	82	85	3	75	78
GS-2	1	15	16	1	16	17	1	14	15
GS-1	--	9	9	--	9	9	--	9	9
Other Graded Positions	11	--	11	11	--	11	10	--	10
Ungraded Positions	--	49	49	--	49	49	--	45	45
Total Perm. Positions	403	11,170	11,573	428	11,816	12,244	393	10,833	11,226
Staff-Years:									
Ceiling	405	11,990	12,395	434	13,027	13,461	400	11,995	12,395
Non-Ceiling 2/	33	236	269	21	244	265	19	221	240
TOTAL	438	12,226	12,664	455	13,271	13,726	419	12,216	12,635

1/ Includes positions for Rural Abandoned Mine Program.

2/ Includes staff-years for stay-in-school positions.

3/ Fundable ceiling. Ceiling floor of 14,177 was included in appropriations legislation for FY 1988.

SOIL CONSERVATION SERVICE

CLASSIFICATION BY OBJECTS

1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Personnel Compensation</u>			
Headquarters	16,398,376	17,290,000	15,998,000
Field	<u>310,221,210</u>	<u>338,451,000</u>	<u>325,912,000</u>
11 Total personnel comp.....	326,619,586	355,741,000	341,910,000
12 Personnel benefits.....	55,383,699	64,200,000	63,345,000
13 Benefits for former personnel.....	<u>627,827</u>	<u>669,000</u>	<u>3,222,000</u>
Total Pers. Comp. & Benefits.....	<u>382,631,112</u>	<u>420,610,000</u>	<u>408,477,000</u>
<u>Other Objects:</u>			
21 Travel.....	13,296,969	15,178,000	14,908,000
22 Transportation of things..	5,478,474	6,184,000	6,183,000
23.2 Rental payments to others.	14,029,479	15,741,000	15,608,000
23.3 Communications, utilities, and misc. charges.....	18,113,607	20,282,000	20,167,000
24 Printing & reproduction...	4,175,169	4,669,000	4,683,000
25 Other services.....	35,293,531	39,153,741	42,788,000
Construction contracts....	78,753,216	71,170,000	24,960,000
26 Supplies and materials....	11,668,089	12,558,000	12,125,000
31 Equipment.....	37,819,155	33,140,000	31,442,000
32 Land & structures.....	285,850	258,000	266,000
33 Investments & loans.....	0	0	0
41 Grants, subsidies and contributions.....	55,663,951	56,639,000	18,195,000
42 Insurance claims and indemnities.....	52,982	59,000	60,000
43 Interest & dividends.....	554	0	0
Total other objects.....	<u>274,631,026</u>	<u>275,031,741</u>	<u>191,385,000</u>
Total direct obligations.....	<u>657,262,138</u>	<u>695,641,741</u>	<u>599,862,000</u>

Position Data

Average Salary, ES positions	\$72,258	\$72,645	\$72,645
Average Salary, GS positions	\$28,106	\$28,528	\$28,668
Average Grade, GS positions	9.12	9.20	9.12

UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Personnel Summary
FY 1987 Actual

	<u>Agency 1/</u>	<u>Full-Time</u>	<u>Other</u>	<u>Overtime & Holidays Worked</u>	<u>Total Staff Years</u>
Conservation Operations.....	SCS	8,298	629	73	9,000
River Basin Surveys and Investigations..	SCS	219	15	--	234
	FS	13	--	--	13
	<u>Subtotal</u>	<u>232</u>	<u>15</u>	<u>--</u>	<u>247</u>
Watershed Planning.....	SCS	164	11	--	175
	FS	4	--	--	4
	<u>Subtotal</u>	<u>168</u>	<u>11</u>	<u>--</u>	<u>179</u>
Watershed and Flood Prevention Oper.....	SCS	1,508	131	51	1,690
	FmHA	9	--	--	9
	FS	65	3	--	68
	<u>Subtotal</u>	<u>1,582</u>	<u>134</u>	<u>51</u>	<u>1,767</u>
Great Plains Conser. Program.....	SCS	217	7	1	225
Resource Conservation and Development.....	SCS	331	50	2	383
	FmHA	3	--	--	3
	FS	2	--	--	2
	<u>Subtotal</u>	<u>336</u>	<u>50</u>	<u>2</u>	<u>388</u>
Total Direct Program..	SCS	10,737	843	127	11,707
	FmHA	12	--	--	12
	FS	84	3	--	87
	<u>Subtotal</u>	<u>10,833</u>	<u>846</u>	<u>127</u>	<u>11,806</u>
Reimbursable Programs.....	SCS	763	76	--	839
Miscellaneous Contrib. Funds.....	SCS	14	1	--	15
Allocation from DOI (Aban. Mine).....	SCS	<u>95</u>	<u>7</u>	<u>1</u>	<u>103</u>
Total Program.....	SCS	11,609	927	128	12,664
	FmHA	12	--	--	12
	FS	84	3	--	87
	<u>Subtotal</u>	<u>11,705</u>	<u>930</u>	<u>128</u>	<u>12,763</u>

1/ SCS: Soil Conservation Service
FS: Forest Service
FmHA: Farmers Home Administration

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

Personnel Summary by Organization Level
FY 1987

	Positions Authorized Permanent	Positions Authorized Temporary	Positions Filled Permanent	Positions Filled Temporary	Average GS & GM Salary 1/	Average GS & GM Grade 1/	Average Salary - Ungraded 1/	Total Staff-Years 2/
Washington Headquarters.....	438	25	403	25	\$38,373	11.08	N/A	438
Technical Service Centers.....	499	23	460	23	\$33,321	9.88	\$27,436	498
Other National Units.....	55	20	41	20	N/A	N/A	N/A	53
State Offices.....	1,311	160	1,246	160	\$27,427	8.99	\$19,032	1,344
State Technical Specialists.....	544	56	508	56	N/A	N/A	N/A	553
Plant Materials Centers.....	94	43	86	43	N/A	N/A	N/A	103
Miscellaneous State Units.....	563	101	539	101	N/A	N/A	N/A	622
Area Office Staffs.....	1,353	111	1,283	111	N/A	N/A	N/A	1,360
Miscellaneous Area Units.....	1,205	171	1,113	171	N/A	N/A	N/A	1,229
Field Office Staffs.....	6,202	1,263	5,894	1,263	N/A	N/A	N/A	6,464
Subtotal, SCS Direct, and Reimbursable and Mis- cellaneous Contributed Funds.....	12,264	1,973	11,573	1,973	\$28,106	9.12	\$23,234	12,664
Allocations to Other Agencies: Farmers Home Administration..	--	--	--	--	--	--	--	12
Forest Service.....	--	--	--	--	--	--	--	87
Subtotal, Allocations.....	--	--	--	--	--	--	--	99
Total.....	12,264	1,973	11,573	1,973	N/A	N/A	N/A	12,763

1/ This is not figured below the State Office level.

2/ Includes 269 noncelling staff years.

SOIL CONSERVATION SERVICE
(SCS Only)
Salaries and Expenses
FY 1987 Actual
(Dollars in Thousands)

	Total Obligations	Conservation Operations	River Basin Surveys and Investi- gations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Management and Program Direction							
Washington Headquarters.....	24,065	17,713	1,014	227	4,125	314	672
State Offices.....	59,478	41,005	1,679	1,160	12,227	1,122	2,285
Technical Service Centers.....	2,926	2,231	154	122	334	13	72
SUBTOTAL.....	86,469	60,949	2,847	1,509	16,686	1,449	3,029
%.....	16.66	15.39	25.65	18.07	21.53	16.20	17.59
Technical Support							
State Technical Specialists....	25,298	17,273	1,124	638	5,269	352	642
Technical Service Centers.....	6,929	4,618	386	1,034	618	72	201
Other National Units.....	--	--	--	--	--	--	--
SUBTOTAL.....	32,227	21,891	1,510	1,672	5,887	424	843
%.....	6.21	5.53	13.61	20.01	7.59	4.74	4.90
Program Operations							
Technical Service Centers.....	17,765	12,635	376	419	4,071	15	249
Plant Materials Centers.....	3,978	3,906	--	--	72	--	--
Other National Units.....	12,748	10,059	150	139	2,019	116	265
Miscellaneous State Units.....	26,448	6,856	4,701	4,130	10,133	2	626
Area Office Staffs.....	56,558	42,817	245	91	9,818	1,487	2,100
Miscellaneous Area Units.....	46,130	26,421	200	37	11,590	31	7,852
Field Office Staffs.....	236,705	210,374	1,069	355	17,234	5,417	2,256
SUBTOTAL.....	400,332	313,068	6,741	5,171	54,937	7,068	13,348
%.....	77.13	79.08	60.74	61.92	70.88	79.05	77.51
TOTAL.....	519,028	395,908	11,098	8,351	77,510	8,941	17,220
%.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00

	Total Obligations	Conservation Operations	River Basin Surveys and Investi- gations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Organizational Summary							
Washington Headquarters.....	24,065	17,713	1,014	227	4,125	314	672
State Offices.....	59,478	41,005	1,679	1,160	12,227	1,122	2,285
State Technical Specialists...	25,298	17,273	1,124	638	5,269	352	642
Technical Service Centers.....	27,620	19,484	916	1,575	5,023	100	522
Plant Materials Centers.....	3,978	3,906	--	--	72	--	--
Other National Units.....	12,748	10,059	150	139	2,019	116	265
Miscellaneous State Units.....	26,448	6,856	4,701	4,130	10,133	2	626
Area Office Staffs.....	56,558	42,817	245	91	9,818	1,487	2,100
Miscellaneous Area Units.....	46,130	26,421	200	37	11,590	31	7,852
Field Office Staffs.....	236,705	210,374	1,069	355	17,234	5,417	2,256
TOTAL SCS.....	519,028	395,908	11,098	8,351	77,510	8,941	17,220
Cost-Share/Construction.....	138,235	--	--	--	120,287	11,412	6,536
TOTAL SCS OBLIGATIONS NET..	657,263	395,908	11,098	8,351	197,797	20,353	23,756
ERS.....	-12	--	--	--	-7	--	-5
FmHA.....	330	--	--	--	255	--	75
FS.....	5,361	--	832	202	3,698	--	629
Subtotal.....	5,679	--	832	202	3,946	--	699
TOTAL OBLIGATIONS, NET OF REIMBURSEMENTS.....							
	662,942	395,908	11,930	8,553	201,743	20,353	24,455

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Conservation Operations

- For necessary expenses for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-590f) including preparation of conservation plans and establishment of measures to conserve soil and water (including farm irrigation and land drainage and such special measures for soil and water management as may be necessary to prevent floods and the siltation of reservoirs and to control agricultural related pollutants); operation of conservation plant materials centers; classification and mapping of soil; dissemination of information; acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed \$100; purchase and erection or alteration or improvement of permanent and temporary buildings; and operation and maintenance of aircraft, [~~\$398,670,000~~] \$455,208,000; of which not less than [~~\$5,379,000~~] \$5,494,000 is for snow survey and water forecasting and not less than [~~\$4,856,000~~] \$5,065,000 is for operation and establishment of the
- 1 plant materials centers: Provided, [That of the foregoing amounts not less than \$310,000,000 is for personnel compensation and benefits:] [Provided
 - 2 further, That the Chief of the Soil Conservation Service shall report directly to the Secretary of Agriculture: Provided further,] That the cost of any permanent building purchased, erected, or as improved, exclusive of the cost of constructing a water supply or sanitary system and connecting the same to any such building and with the exception of buildings acquired in conjunction with land being purchased for other purposes, shall not exceed \$10,000, except for one building to be constructed at a cost not to exceed \$100,000, and eight buildings to be constructed or improved at a cost not to exceed \$50,000 per building and except that alterations or improvements to other existing permanent buildings costing \$5,000 or more may be made in any fiscal year in an amount not to exceed \$2,000 per building: Provided further, That when buildings or other structures are erected on non-Federal land that right to use such land is obtained as provided in 7 U.S.C. 2250a: Provided further, That no part of this appropriation may be expended for soil and water conservation operations under the Act of April 27, 1935 (16 U.S.C. 590a-590f) in demonstration projects: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225) and not to exceed \$25,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That qualified local engineers may be temporarily employed at per diem rates to perform the
 - 3 technical planning work of the Service (16 U.S.C. 590e-2)[: Provided further, That none of the funds in this Act shall be used for the purpose of consolidating equipment, personnel, or services of the Soil Conservation Service's national technical centers in Portland, Oregon; Lincoln, Nebraska; Chester, Pennsylvania; and Fort Worth, Texas, into a single national technical center].

The first change in language proposes deletion of the language establishing a floor on the amount of funds available for personnel compensation and benefits. This limitation severely limits managerial flexibility in maintaining the proper balance between staffing needs and other support items such as travel, training and equipment that are required for the effective delivery of program services to farmers, ranchers and others who participate in conservation programs. Implementation of the conservation provisions of the Food Security Act of 1985 is having a major impact on SCS field offices as additional demands are made to provide technical assistance and soil survey data. Maximum flexibility is needed to ensure that all available resources can be used to meet these needs in a timely and effective manner. The limitation also adds unnecessarily to administrative overhead costs because of the need to maintain additional accounting and managerial controls.

The second change proposes to delete the requirement that the Chief of the Soil Conservation Service report directly to the Secretary of Agriculture. The Secretary has broad agricultural responsibilities for commodity programs, trade policy, research, marketing, inspection, food programs, as well as conservation. SCS is one of the largest employers of the Department. There is a need to delegate responsibilities for policy guidance and to participate in subcabinet level forums on conservation matters similar to those in other important areas of the Department.

The third change proposes deletion of language prohibiting the use of appropriated funds for consolidating the four existing SCS technical centers into one center. This language is no longer required because SCS plans to continue operating all four technical centers.

Conservation Operations

Appropriations Act, 1988.....	\$398,670,000
Budget Estimate, 1989.....	455,208,000
Increase in Appropriation.....	<u>+56,538,000</u>
Adjustments in 1988:	
Appropriations Act, 1988.....	\$398,670,000
Transfer from the Conservation Reserve	
Program for FSA work a/.....	<u>+45,240,000</u>
Adjusted base for 1988.....	\$443,910,000
Budget Estimate, 1989.....	455,208,000
Increase over adjusted 1988.....	<u>+11,298,000</u>

a/ The 1988 Appropriations Act provided that 4 percent of the funds appropriated for the Conservation Reserve Program be transferred to the Soil Conservation Service for conservation activities related to the Food Security Act of 1985.

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1988 Estimated	Pay Cost and FERS	Program Changes	1989 Estimated
Technical assistance.....	\$365,958,000	+\$3,804,000	+\$6,244,000	\$376,006,000
Soil survey.....	67,717,000	+486,000	+440,000	68,643,000
Snow survey and water forecasting.	5,379,000	+26,000	+89,000	5,494,000
Operation of plant materials ctrs.	4,856,000	+37,000	+172,000	5,065,000
TOTAL AVAILABLE.....	<u>443,910,000</u>	<u>+4,353,000 a/</u>	<u>+6,945,000</u>	<u>455,208,000</u>

a/ Includes an increase of \$1,793,000 for pay increases effective in FY 1988 and \$2,560,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1987		:1988 estimated		:	:1989 estimated	
	Amount	:Staff:	Amount	:Staff:		Amount	:Staff:
		Years		Years	Increase		Years
1. Technical assistance.....	\$331,986,000	7,615	\$365,958,000	8,435	+\$10,048,000(1)	\$376,006,000	8,435
2. Soil surveys.....	58,156,000	1,195	67,717,000	1,387	+926,000(2)	68,643,000	1,387
3. Snow survey and water forecasting	4,976,000	76	5,379,000	81	+115,000(3)	5,494,000	81
4. Operation of plant materials centers	4,553,000	114	4,856,000	121	+209,000(4)	5,065,000	121
Total available estimate.....	399,671,000	9,000	443,910,000	10,024	+11,298,000	455,208,000	10,024
Transfer from CCC....	-20,000,000	--	--	--			
Transfer from CRP....	--	--	-45,240,000	--			
Total, appropriation.	<u>379,671,000</u>	<u>9,000</u>	<u>398,670,000</u>	<u>10,024</u>			

PROJECT STATEMENT
(On basis of available funds)

Project	1987		1988 estimated		Increase or Decrease	1989 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Direct obligations:							
1. Technical assistance.....	\$328,469,666	7,615	\$365,989,513	8,435	+\$10,016,487	\$376,006,000	8,435
2. Soil surveys.....	57,929,930	1,195	67,717,000	1,387	+926,000	68,643,000	1,387
3. Snow survey and water forecasting	4,955,776	76	5,379,000	81	+115,000	5,494,000	81
4. Operation of plant materials centers	4,551,702	114	4,856,000	121	+209,000	5,065,000	121
Total direct obligations.....	395,907,074	9,000	443,941,513	10,024	+11,266,487	455,208,000	10,024
Unobligated balance brought forward.....	(-861)	--	(-31,513)	--	(+31,513)	--	--
Unobligated balance carried forward.....	(31,513)	--	--	--	--	--	--
Unobligated balance lapsing.....	(3,733,274)	--	--	--	--	--	--
Adjusted appropriation.....	(399,671,000)	(9,000)	(443,910,000)	(10,024)	(+11,298,000)	(455,208,000)	(10,024)
Reimbursable obligations:							
1. Technical assistance.....	30,879,428	610	36,926,000	731	-12,553,000	24,373,000	415
2. Soil surveys.....	7,613,232	197	8,570,000	212	--	8,570,000	212
3. Snow survey and water forecasting	253,053	2	270,000	2	--	270,000	2
4. Operation of plant materials centers	227,690	2	234,000	2	--	234,000	2
Total, reimbursable obligations.....	38,973,403	811	46,000,000	947	-12,553,000	33,447,000	631
Obligational authority.....	434,880,477	9,811	489,941,513	10,971	-1,286,513	488,655,000	10,655

SOURCES OF REIMBURSEMENTS

Project	1987		1988 estimated		Increase or Decrease	1989 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Within USDA:							
Agricultural Stabilization & Conservation Service.....	\$20,592,214	504	\$26,353,000	624	-\$12,553,000	\$13,800,000	308
Office of International Cooperation & Development.....	1,178,442	19	1,300,000	20	--	1,300,000	20
Other.....	6,375,512	55	6,449,000	55	--	6,449,000	55
Other Federal.....	2,952,477	55	3,217,000	56	--	3,217,000	56
Non-Federal:							
State & Counties for soil surveys.....	4,463,955	123	5,145,000	137	--	5,145,000	137
Other.....	3,410,803	55	3,536,000	55	--	3,536,000	55
Total reimbursements..	38,973,403	811	46,000,000	947	-12,553,000	33,447,000	631

OUTLAYS

Project	1987 Actual	1988 Estimated	Decrease	1989 Estimated
1. Technical assistance.....	\$300,201,339:	\$381,023,000:	-\$5,757,000:	\$375,266,000
2. Soil Surveys.....	52,934,140:	70,119,000:	-1,599,000:	68,520,000
3. Snow survey and water forecasting.....	4,522,739:	5,616,000:	-128,000:	5,488,000
4. Operation of plant materials centers.....	4,160,920:	5,081,000:	-28,000:	5,053,000
Total outlays.....	361,819,138:	461,839,000:	-7,512,000:	454,327,000

EXPLANATION OF PROGRAM

The appropriation "Conservation Operations," funds four Soil Conservation Service activities authorized by the Act of April 27, 1935, (16 U.S.C. 590-590f); and the Soil and Water Resources Conservation Act of 1977, (16 U.S.C. 2001-2009). These activities are designed to reduce erosion, solve soil and water management problems, bring about physical adjustments in land use, improve agriculture, and reduce damage caused by floods and sedimentation. Activities include:

1. Technical assistance - The Soil Conservation Service provides technical assistance to 2,947 conservation districts. These districts, formed under State enabling legislation and locally controlled, have within their boundaries about 99 percent of the farms and ranches in the Nation. Through these conservation districts, the Soil Conservation Service provides technical help to more than 2,300,000 district cooperators, who are primarily farmers and ranchers, having land use and conservation problems. More than 1 million district cooperators receive help on an annual basis. About 22,000 State and local units of government were assisted with problems of land use, conservation, or building and water resource developments during FY 1987.

Conservation plans developed by landusers consist of their decisions to achieve conservation objectives, and contain soil and capability maps and other basic resource data interpreted for alternative uses and treatment.

Installation services are provided to cooperating land users to help them apply planned conservation systems. These services include site investigation, designs and specifications, construction plans, and layout of practices.

Technical assistance is currently being provided to implement the highly erodible land, wetland, and Conservation Reserve program provisions of the 1985 Food Security Act. SCS field technicians make the highly erodible land and wetland determinations and assist landusers in the preparation of conservation plans and application of practices needed to ensure compliance with the law. Producers have until January 1, 1990 to have an approved conservation plan developed on all highly erodible cropland in order to retain their eligibility for USDA farm program benefits. The approved conservation measures must then be installed by January 1, 1995. The CRP has nearly 23 million acres enrolled in about 200,000, 10-year contracts which reduce erosion by 466,000,000 tons annually (20 tons per acre).

Technical services are also provided to individuals and groups participating in the Agricultural Conservation Program for site selection, layout, or establishment of specified conservation practices; and to those farmers who enter into contracts under the Conservation Reserve Program. Nearly 140,000 contracts covering 14.7 million acres were signed in FY 1987.

This item also funds the inventory and monitoring, resource appraisal and program development activities of the Soil Conservation Service. Natural and related resource data, other than soil survey data, are collected and interpreted for National assessments, and provided to users for resource programming and planning decisions. In addition, special resource inventories are made of wind erosion conditions in the Great Plains, and for identification of important farmlands and areas with critical erosion rates. Nationwide appraisals of soil, water, and related resources are conducted on a periodic basis and future long-range conservation programs are developed to help USDA, soil and water conservation districts, and other Federal, State and local agencies identify the highest priority problems and the present and likely future demands on the soil, water, and related resources of the Nation.

Overall accomplishments under the Conservation Technical Assistance program are as follows:

	<u>FY 1987 Actual</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>
Decisionmakers receiving technical services (000's).....	1,068	1,175	1,292
Acres treated through conservation technical assistance (000's).....	55,573	60,000	65,000
Tons of soil erosion reduced (000's).	338,389	378,000	409,500

2. Soil surveys - Special investigations and interpretations are made to determine the kinds of soil, potential alternative uses, and their needs for full use and conservation. Each soil survey includes field mapping and necessary correlation, interpretation, investigations, and laboratory work. These surveys are conducted cooperatively with other Federal agencies, land grant colleges, other State agencies, and local organizations. The published soil survey for a county or designated area includes maps with explanatory information useful in many Federal, State, county, and local community programs. Special reports are prepared and released as needed for local uses. Current program emphasis is being placed on the completion of soils maps on highly erodible lands and wetlands impacted by the conservation provisions of the 1985 Food Security Act.

Actual and projected accomplishments for the soil survey program are as follows:

	<u>FY 1987 Actual</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>
Acres mapped annually by SCS (millions).....	37.0	40.2	40.2
Soil surveys ready for publication (number).	78	80	70

3. Snow survey and water forecasting - Snow survey and water forecasting provides a valuable service to irrigators and others who rely upon snow data and water supply forecasts in planning annual operations. More than 10,000,000 acres of irrigated land in the Western States and Alaska are served by water supply forecasts. Although water supply forecasts are geared primarily to the needs of rural farm and ranch operators, they are used extensively by a wide variety of water management groups that have responsibility for flood control, recreation, fish and wildlife, power generation, municipal and industrial water supply, and water quality management.
4. Operation of plant materials centers - Plant materials centers are operated for testing, selection, and providing for the commercial production of plants for erosion control, special conservation purposes, and adaptation to unusual soil and site conditions. The work at the 22 centers includes cooperation with State and Federal agencies, commercial businesses, and seed and nursery associations to encourage production, release, and use of new or uncommon plant materials needed in soil and water conservation programs. Over 183 new conservation plant varieties from this program are in large scale use in combating the many problems encountered in a total program of soil, water, and related resource conservation. Fourteen new conservation plants were released for conservation purposes during FY 1987.

OIG Reports

10610-4-AT	6-25-87	SCS Field Office Communication and Automation System, Software Development - Computer Assisted Management and Planning Systems.
10610-6-AT	In Progress	SCS Cost/Benefit Analysis and Automated Data Processing Equipment Inventory.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase in appropriation of \$10,048,000 for technical assistance (on the basis of available funds there is an increase of \$10,016,487) consisting of:

- (a) An increase of \$1,498,000 to annualize 1988 pay costs and to restore pay costs absorbed in 1988; and an increase of \$2,306,000 to fund increased costs associated with the Federal Employees Retirement System.
- (b) An increase of \$6,244,000 for increased operating costs.

Need for Change. These funds are needed in order to maintain program operations at the current level. The additional funds would be used to cover cost increases for non-salary support costs financed under this program. Without these funds, program performance would be adversely impacted.

Nature of Change. The funds requested would maintain the current rate of program operations in meeting the conservation requirements of the Food Security Act and in continuing ongoing conservation technical assistance activities. This would provide for conservation treatment on approximately 1.7 million acres resulting in about 10.7 million tons of soil erosion prevented.

(2) An increase in appropriation (and in available funds) of \$926,000 for soil surveys consisting of:

- (a) An increase of \$261,000 to annualize 1988 pay costs and to restore pay costs absorbed in 1988; and an increase of \$225,000 to fund increased costs associated with the Federal Employees Retirement System.
- (b) An increase of \$440,000 for increased operating costs.

Need for Change. These funds are needed in order to maintain program operations at the current level. The additional funds would be used to cover cost increases for non-salary support costs financed under this program. Without these funds, program performance would be adversely impacted.

Nature of Change. The funds requested would provide for soils mapping on about 800,000 acres to meet the need for soils data required for implementing the conservation provisions of the 1985 farm bill and to support ongoing conservation planning and application work.

(3) An increase in appropriation (and in available funds) of \$115,000 for snow survey and water forecasting consisting of:

- (a) An increase of \$14,000 to annualize 1988 pay costs and to restore pay costs absorbed in 1988; and an increase of \$12,000 to fund increased costs associated with the Federal Employees Retirement System.
- (b) An increase of \$89,000 for increased operating costs.

Need for Change. These funds are needed in order to maintain program operations at the current level. The additional funds would be used to cover cost increases for non-salary support costs financed under this program. Without these funds, program performance would be adversely impacted.

Nature of Change. The funds requested would provide for the continuation of the five-year equipment replacement plan, the data base development and the analysis work needed to ensure the reliability and timeliness of water supply forecasts based on SNOTEL data and for effective integration of this data into SCS technical assistance activities.

(4) An increase in appropriation (and in available funds) of \$209,000 for operation of plant materials centers consisting of:

- (a) An increase of \$20,000 to annualize 1988 pay costs and to restore pay costs absorbed in 1988; and an increase of \$17,000 to fund increased costs associated with the Federal Employees Retirement System.
- (b) An increase of \$172,000 for increased operating costs.

Need for Change. These funds are needed in order to maintain program operations at the current level. The additional funds would be used to cover cost increases for non-salary support costs financed under this program. Without these funds, program performance would be adversely impacted.

Nature of Change. The funds requested would provide for maintaining ongoing plant studies and releases of plant varieties to support conservation programs; and for adequate maintenance of facilities and equipment essential to the efficiency of PMC operations.

Soil Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1987 and ESTIMATED 1988 and 1989
CONSERVATION OPERATIONS

	1987		1988		1989	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	\$7,247,015	179	7,798,810	192	\$7,996,731	193
ALASKA	\$1,501,366	29	1,661,858	32	1,704,033	32
ARIZONA	\$4,306,926	96	4,489,541	100	4,603,478	100
ARKANSAS	\$8,352,259	198	8,490,013	200	8,705,475	201
CALIFORNIA	\$11,254,941	283	12,060,445	302	12,366,518	303
COLORADO	\$9,862,339	225	11,339,208	258	11,626,978	259
CONNECTICUT	\$1,169,533	28	1,185,675	28	1,215,766	28
DELAWARE	\$655,060	20	678,420	21	695,637	21
FLORIDA	\$6,146,636	147	6,469,304	154	6,633,484	155
GEORGIA	\$8,409,429	220	9,139,853	238	9,371,807	239
HAWAII	\$2,029,218	46	2,460,310	56	2,522,748	56
IDAHO	\$6,859,109	154	7,751,109	173	7,947,819	174
ILLINOIS	\$11,793,127	253	12,746,659	272	13,070,147	273
INDIANA	\$8,935,680	216	9,367,136	225	9,604,858	226
IOWA	\$13,744,887	306	19,189,046	426	19,676,031	426
KANSAS	\$13,831,821	338	17,489,152	426	17,932,997	426
KENTUCKY	\$8,724,740	244	9,693,563	270	9,939,569	271
LOUISIANA	\$5,639,498	140	6,047,162	149	6,200,629	150
MAINE	\$2,185,689	50	2,263,893	52	2,321,346	52
MARYLAND	\$3,760,068	85	3,859,134	87	3,957,073	87
MASSACHUSETTS	\$1,719,643	40	1,805,273	42	1,851,088	42
MICHIGAN	\$7,052,102	159	7,736,975	173	7,933,327	174
MINNESOTA	\$9,198,580	196	10,737,693	228	11,010,198	229
MISSISSIPPI	\$7,876,560	194	8,620,958	211	8,839,743	212
MISSOURI	\$13,029,212	301	15,708,924	362	16,107,590	362
MONTANA	\$10,871,705	217	16,056,344	319	16,463,827	320
NEBRASKA	\$11,420,598	298	13,218,580	344	13,554,045	344
NEVADA	\$2,763,918	56	2,859,380	58	2,931,946	58
NEW HAMPSHIRE	\$1,434,199	34	1,580,796	37	1,620,914	37
NEW JERSEY	\$1,937,561	39	2,003,769	40	2,054,622	40
NEW MEXICO	\$6,312,004	151	6,505,677	155	6,670,780	156
NEW YORK	\$7,100,034	179	7,603,744	191	7,796,714	192
NORTH CAROLINA	\$8,356,964	207	8,604,745	212	8,823,119	213
NORTH DAKOTA	\$7,497,132	163	10,817,507	234	11,092,037	235
OHIO	\$8,445,553	219	8,886,693	229	9,112,222	230
OKLAHOMA	\$9,571,907	271	10,077,668	284	10,333,422	285
OREGON	\$6,135,110	140	6,585,907	149	6,753,046	150
PENNSYLVANIA	\$7,264,647	178	7,235,124	176	7,418,739	176
PUERTO RICO	\$2,141,446	56	2,264,724	59	2,322,199	59
RHODE ISLAND	\$437,816	10	591,123	14	606,125	14
SOUTH CAROLINA	\$4,739,700	114	4,916,983	118	5,041,767	118
SOUTH DAKOTA	\$6,231,285	136	6,700,640	146	6,870,691	146
TENNESSEE	\$7,981,066	189	8,612,955	203	8,831,538	204
TEXAS	\$26,435,287	664	28,904,849	725	29,638,405	724
UTAH	\$4,860,276	118	5,067,465	123	5,196,069	123
VERMONT	\$1,610,161	36	1,762,145	39	1,806,865	39
VIRGINIA	\$6,324,789	155	7,007,113	171	7,184,942	172
WASHINGTON	\$7,358,460	163	7,958,335	175	8,160,304	176
WEST VIRGINIA	\$4,088,759	100	4,228,794	103	4,336,114	103
WISCONSIN	\$7,919,600	173	9,092,775	198	9,323,534	199
WYOMING	\$4,384,922	100	4,844,131	110	4,967,067	110
CHESTER NTC	\$1,678,512	29	1,603,452	28	1,644,145	28
FORT WORTH NTC	\$10,683,777	210	10,889,942	213	11,166,311	213
LINCOLN NTC	\$4,278,985	87	5,508,625	112	5,648,425	112
PORTLAND NTC	\$4,352,818	57	4,306,945	56	4,416,248	56
NATIONL HDQTRS	\$26,002,645	304	28,854,469	326	29,586,748	301

TOTAL, Available
or Estimate

395,907,074 9,000 443,941,513 10,024 455,208,000 10,024

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[River Basin Surveys and Investigations]

[For necessary expenses to conduct research, investigations, and surveys of the watersheds of rivers and other waterways, in accordance with section 6 of the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1006-1009), \$12,051,000: Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$60,000 shall be available for employment under 5 U.S.C. 3109.]

[Watershed Planning]

[For necessary expenses for small watershed investigations and planning, in accordance with the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001-1008), \$8,651,000: Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$50,000 shall be available for employment under 5 U.S.C. 3109.]

[Watershed and Flood Prevention Operations]

[For necessary expenses to carry out preventive measures, including but not limited to research, engineering operations, methods of cultivation, the growing of vegetation, rehabilitation of existing works and changes in use of land, in accordance with the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1001-1005, 1007-1009), the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and in accordance with the provisions of laws relating to the activities of the Department, \$165,873,000 (of which \$26,271,000 shall be available for the watersheds authorized under the Flood Control Act approved June 22, 1936 (33 U.S.C. 701, 16 U.S.C. 1006a), as amended and supplemented): Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$3,500,000 shall be available for emergency measures as provided by sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), and not to exceed \$200,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That \$7,949,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund of the Farmers Home Administration (86 Stat. 663): Provided further, That not to exceed \$1,000,000 of this appropriation is available to carry out the purposes of the Endangered Species Act of 1973 (Public Law 93-205), as amended, including cooperative efforts as contemplated by that Act to relocate endangered or threatened species to other suitable habitats as may be necessary to expedite project construction.]

Water Resource Management and Protection

- 1 For necessary expenses to carry out preventive measures, including but not limited to research, investigations, planning and surveys of the watersheds of rivers and other waterways, engineering operations, methods of cultivation, the growing of vegetation, rehabilitation of existing works and changes in use of land, in accordance with the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1001-1009), the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and in accordance with the provisions of laws relating to the activities of the Department, \$116,000,000; of which not to exceed \$2,500,000 for emergency measures as provided by sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), not to exceed \$310,000 for employment under 5 U.S.C. 3109, and not to exceed \$1,000,000 to carry out the purposes of the Endangered Species Act of 1973 (Public Law 93-205), as amended, including cooperative efforts as contemplated by that Act to relocate endangered or threatened species to other suitable habitats as may be necessary to expedite project construction: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225): Provided further, That during fiscal year 1989 no new direct loans shall be made for activities under this heading from the Agricultural Credit Insurance Fund of the Farmers Home Administration.

The change combines the water resource programs into a single appropriation account in order to simplify program and financial management and provide greater flexibility at an overall reduced budget level. Unobligated funds and new budget authority would continue to be available until expended. The Farmers Home Administration will not be providing loans for this account under the Agricultural Credit Insurance Fund in the new language.

Water Resource Management and Protection

	River Basin Surveys and Investigations	Watershed Planning and Construction	Emergency Watershed Protection Operations	Loan Services	Total Water Resource Management and Protection
Appropriation Act, 1988...	\$12,051,000	\$170,769,000	\$3,500,000	\$255,000	\$186,575,000
Budget Estimate, 1989.....	9,809,000	103,571,000	2,500,000	120,000	116,000,000
Decrease in Appropriation.	-2,242,000	-67,198,000	-1,000,000	-135,000	-70,575,000

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1988 Estimate	Program Changes	1989 Estimate
1. River basin surveys and investigations	\$12,051,000	-\$2,242,000	\$9,809,000
2. Watershed planning and construction...	170,769,000	-67,198,000	103,571,000
3. Emergency watershed protection operations.....	3,500,000	-1,000,000	2,500,000
4. Loan services.....	255,000	-135,000	120,000
TOTAL AVAILABLE.....	186,575,000	-70,575,000	116,000,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1987		1988 estimated		1989 estimated	
	Amount:	Staff : Years	Amount	Staff : Years	Amount	Staff : Years
1. River basin surveys and investigations....	12,051,000:	247:	12,051,000:	242:	-2,242,000(1)	9,809,000 : 188
2. Watershed planning and construction:	:	:	:	:	:	:
(a) Planning.....	9,938,900:	204:	9,904,500:	204:	-1,738,000	8,166,500 : 159
(b) Construction:	:	:	:	:	:	:
(1) Technical assistance.....	71,419,100:	1,567:	66,845,100:	1,543:	-9,370,600	57,474,500 : 1,152
(2) Financial assistance for construction:	:	:	:	:	:	:
Direct Federal contracting.....	63,548,900:	--:	57,734,900:	--:	-34,593,450	23,141,450 : --
Payment for contracting by local sponsors....	25,862,100:	--:	36,284,500:	--:	-21,495,950	14,788,550 : --
Total, Watershed planning and construction....	170,769,000:	1,771:	170,769,000:	1,747:	-67,198,000(2)	103,571,000 : 1,311
3. Emergency Watershed Protection Ops.....	14,755,000:	166:	3,500,000:	52:	-1,000,000(3)	2,500,000 : 28
4. Loan Services.....	255,000:	9:	255,000:	8:	-135,000(4)	120,000 : 4
TOTAL, Appropriation.....	197,830,000:	2,193:	186,575,000:	2,049:	70,575,000	116,000,000 : 1,531

Distribution of Budget Authority and Staff-Years by Old Account Structure	1987		1988		1989	
	Amount:	Staff : Years	Amount	Staff : Years	Decrease	Amount : Staff : Years
1. River basin surveys and investigations.....	12,051,000:	247:	12,051,000:	242:	-2,242,000:	9,809,000 : 188
2. Watershed planning.....	8,651,000:	179:	8,651,000:	178:	-1,609,000:	7,042,000 : 136
3. Watershed and flood prevention operations:	:	:	:	:	:	:
(a) Watershed Operations authorized by PL 534..	26,762,000:	333:	26,271,000:	353:	-10,305,000:	15,966,000 : 259
(b) Emergency watershed protection operations.	14,755,000:	166:	3,500,000:	52:	-1,000,000:	2,500,000 : 28
(c) Watershed operations authorized by PL 536..	135,611,000:	1,268:	136,102,000:	1,224:	-55,419,000:	80,683,000 : 920
TOTAL, Watershed and flood prevention operations.....	177,128,000:	1,767:	165,873,000:	1,629:	-66,724,000:	99,149,000 : 1,207
Total, Appropriations.....	197,830,000:	2,193:	186,575,000:	2,049:	-70,575,000:	116,000,000 : 1,531

PROJECT STATEMENT
(On basis of available funds)

Project	1987		1988 estimated		Increase or Decrease	1989 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. River basin surveys and investigations..	11,929,308	247	12,051,000	242	-2,242,000(1)	9,809,000	188
2. Watershed planning and construction:							
(a) Planning.....	9,760,334	204	9,983,000	204	-1,816,500	8,166,500	159
(b) Construction:							
(1) Technical assistance.....	71,481,638	1,567	72,504,773	1,543	-15,030,273	57,474,500	1,152
(2) Financial assistance for construction:							
Direct Federal contracting....	57,518,635	--	62,115,417	--	-38,973,967	23,141,450	--
Payment for contracting by local sponsors	37,048,251	--	38,416,160	--	-23,627,610	14,788,550	--
Total, Watershed Planning and construction....	175,808,858	1,771	183,019,350	1,747	-79,448,350(2)	103,571,000	1,311
3. Emergency Watershed Protection Ops...	34,239,379	166	13,885,237	52	-11,385,237(3)	2,500,000	28
4. Loan Services.....	255,000	9	255,000	8	-135,000(4)	120,000	4
Total direct obligations.....	222,232,545	2,193	209,210,587	2,049	-93,210,587	116,000,000	1,531
Unobligated balance lapsing.....	(240,490)	(--)	(--)	(--)	(--)	(--)	(--)
Recovery of prior year obligations.....	(-6,804)	(--)	(--)	(--)	(--)	(--)	(--)
Unobligated balance brought forward.....	(-47,271,818)	(--)	-22,635,587	(--)	+22,635,587	(--)	(--)
Unobligated balance carried forward.....	(+22,635,587)	(--)	(--)	(--)	(--)	(--)	(--)
Appropriation.....	(197,830,000)	(2,193)	186,575,000	(2,049)	(-70,575,000)	(116,000,000)	1,531
Reimbursable obligations:							
1. River basin surveys and investigations....	680,342	16	1,000,000	20	-400,000	600,000	12
2. Watershed planning and construction:							
(A) Planning.....	211,450	5	400,000	8	-125,000	275,000	5
(B) Construction:							
(1) Technical assistance.	457,898	6	476,200	6	-72,200	404,000	4
(2) Financial assistance for construction:							
Direct Federal contracting..	13,699,838	--	16,467,700	--	-3,415,800	13,051,900	--
Payment for contracting by local sponsors....	45,965	--	56,100	--	-12,000	44,100	--
Total, Watershed Planning and cons	14,415,151	11	17,400,000	14	-3,625,000	13,775,000	9
3. Emergency watershed protection ops...	1,600,828	--	2,000,000	0	-500,000	1,500,000	--
4. Loan services.....		--	--	--	--	--	--
Total reimbursable obligations.....	16,696,321	27	20,400,000	34	-4,525,000	15,875,000	21
Obligational Authority	238,928,866	2,220	229,610,587	2,083	-97,735,587	131,875,000	1,552

Distribution of Obligations and Staff-Years by Old Account Structure	1987		1988		Increase or Decrease	1989	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. River basin surveys and investigations.....	11,929,308	247	12,051,000	242	-2,242,000	9,809,000	188
2. Watershed planning.....	8,552,940	179	8,651,000	178	-1,609,000	7,042,000	136
3. Watershed and flood prevention operations:							
(a) Watershed Operations authorized by PL 534..	23,650,119	333	29,747,496	353	-13,781,496	15,966,000	259
(b) Emergency watershed protection operations.	34,239,379	166	13,885,237	52	-11,385,237	2,500,000	28
(c) Watershed operations authorized by PL 566..	143,860,799	1,268	144,875,854	1,224	-64,192,854	80,683,000	920
TOTAL, Watershed and flood prevention operations.....	201,750,297	1,767	188,508,587	1,629	-89,359,587	99,149,000	1,207
Total, Direct Obligations.	222,232,545	2,193	209,210,587	2,049	-93,210,587	116,000,000	1,531
Unobligated balance lapsing.....	(240,490)	(--)	(--)	(--)	(--)	(--)	(--)
Recovery of prior year obligations.....	(-6,804)	(--)	(--)	(--)	(--)	(--)	(--)
Unobligated balance brought forward.....	(-47,271,818)	(--)	(-22,635,587)	(--)	(+22,635,587)	(--)	(--)
Unobligated balance carried forward.....	(+22,635,587)	(--)	(--)	(--)	(--)	(--)	(--)
Appropriation.....	(197,830,000)	(2,193)	(186,575,000)	(2,049)	(-70,575,000)	(116,000,000)	(1,531)
Reimbursable obligations:							
1. River basin surveys and investigations.....	680,342	16	1,000,000	20	-400,000	600,000	12
2. Watershed planning.....	211,450	5	400,000	8	-125,000	275,000	5
Watershed and flood prevention operations:							
(a) Watershed Operations authorized by PL 534..	2,697,960	6	3,000,000	6	-500,000	2,500,000	4
(b) Emergency watershed protection operations.	1,600,828	--	2,000,000	--	-500,000	1,500,000	--
(c) Watershed operations authorized by PL 566..	11,505,741	--	14,000,000	--	-3,000,000	11,000,000	--
TOTAL, Watershed and flood prevention operations.....	15,804,529	6	19,000,000	6	-4,000,000	15,000,000	4
Total reimbursable obligations.....	16,696,321	27	20,400,000	34	-4,525,000	15,875,000	21
Obligational Authority.....	238,928,866	2,220	229,610,587	2,083	-97,735,587	131,875,000	1,552

SOURCES OF REIMBURSEMENTS

	1987 Actual	:	1988 estimate	:	Increase or Decrease	:	1989 estimate
USDA Cooperative Studies.....	185,794	:	300,000	:	+160,000	:	460,000
Flood Insurance Studies.....	359,926	:	580,000	:	-580,000	:	0
Within USDA.....	26,112	:	29,700	:	-9,700	:	20,000
Other Federal Sources.....	379,799	:	414,350	:	-127,350	:	287,000
Other Non-Federal Sources.....	15,744,690	:	18,075,950	:	-2,967,950	:	15,108,000
Total reimbursements.....	<u>16,696,321</u>	:	<u>19,400,000</u>	:	<u>-3,525,000</u>	:	<u>15,875,000</u>

OUTLAYS

	1987 Actual	:	1988 Estimate	:	Decrease	:	1989 estimate
1. River basin surveys and investigations.....	12,940,193	:	10,963,000	:	-1,118,000	:	9,845,000
2. Watershed planning and construction.....	168,107,494	:	193,525,000	:	-69,273,000	:	124,252,000
3. Emergency watershed protection operations.....	46,115,996	:	30,153,000	:	-22,471,000	:	7,682,000
4. Loan services.....	255,000	:	255,000	:	-135,000	:	120,000
Total Outlays.....	<u>227,418,683</u>	:	<u>234,896,000</u>	:	<u>-92,997,000</u>	:	<u>141,899,000</u>

EXPLANATION OF PROGRAM

The appropriation "Water Resource Management and Protection" funds those activities authorized by the Watershed Protection and Flood Prevention Act as amended (16 U.S.C. 1001-1009) and the Flood Control Act, as amended and supplemented (33 U.S.C. 701, 16 U.S.C. 1006a) and Sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205). These activities include making surveys and investigations of rivers and other waterways, planning and installing individual small watershed projects and flood prevention subwatershed projects, emergency watershed protection and loan services as described below:

River Basin Surveys and Investigations

Under the authority of Public Law 83-566, as amended, the Department cooperates with other Federal and State agencies in making surveys and investigations of watersheds of rivers and other waterways. The activities that are carried out under this authority include USDA cooperative studies, flood plain management assistance, and interagency coordination and program formulation.

The Department participates in USDA cooperative studies of agricultural and other rural land and water resources within river basins to gather basic data on existing and potential water supplies, present and future land use, current and potential economic development, and existing erosion and sediment problems. The studies and investigations are made of agricultural, rural, and upstream water and land resources and problems to determine corrective actions needed and potentials for conservation, use, and development. Evaluations include erosion and sediment damage and upstream floodwater damage to rural lands and properties; impaired drainage of agricultural lands; agricultural drought problems and potential for water conservation; agricultural water needs for livestock and domestic use, forest-based industries and municipal and industrial water needs. The planning activity gives consideration to finding alternative combinations of land treatment, structural and nonstructural measures to solve the area's problems, meet the identified needs, and develop the indicated potentials.

Floodplain management assistance is carried out in cooperation with State and local governments to identify flood hazards on selected floodplain reaches. The studies provide reports which include flood profiles and maps showing areas subject to flooding by select frequency floods, and information needed by State and local governments to implement land use and floodplain management programs.

Interagency coordination and program formulation activity provides national policy and program leadership direction to studies of river basins, floodplain management, Colorado River Salinity activities, and USDA participation in water policy and program coordination at the National level. USDA membership and participation in the activities of three Federal-State Interagency Committees (SEBIAC, PSIAC, AWRBIAC), the Susquehanna and Delaware River Basin Commissions; and other regional entities involved in water and related resource planning and coordination also are conducted under this activity as are reviews of proposed reports and water projects of other Departments and agencies.

The following tabulation shows the number of surveys and obligations by type of survey for fiscal years 1987, 1988, and 1989.

	1987	1988	1989
1. Surveys in cooperation with State and other Federal agencies:			
a. Surveys in progress, start of year.....	57	66	70
b. Surveys initiated during year.....	17	19	13
c. Surveys worked during year...	74	85	83
d. Surveys completed during year	8	15	15
e. Surveys in progress, end of year.....	66	70	68
Cumulative total surveys initiated.....	297	316	329
Cumulative total surveys completed.....	253	268	283
Total Cost Cooperative Surveys (000's).....	\$8,417	\$8,464	\$8,043
2. Floodplain management assistance program:			
(a) States participating in Flood Plain Mgmt. Studies..	27	27	27
1. Ongoing Studies (BOY).....	73	64	87
2. New Studies.....	19	31	17
3. Completed Studies.....	28	8	20
4. Ongoing Studies (EOY).....	64	87	84
5. Cumulative total completed..	427	435	455
Total Cost Flood Plain Management Studies (000's).....	\$2,039	\$2,080	\$1,766
(b) Reimbursable Flood Insurance Studies (non-add) (000's)...	(\$490)	(\$490)	(\$0)
1. Ongoing Studies (BOY).....	15	9	6
2. New Studies.....	9	5	0
3. Completed Studies.....	16	8	6
4. Ongoing Studies (EOY).....	8	6	0
5. Cumulative Total completed...	481	489	495
3. Interagency coordination and program formulation (000's).....	\$1,474	\$1,507	\$0
Total direct obligations (000's)...	<u>\$11,930</u>	<u>\$12,051</u>	<u>\$9,809</u>

Geographic Breakdown and Funding for River Basin Surveys and Investigations
(Dollars in Thousands)

River Basin or Region	Obligations				
	States Involved	Cooperating Agencies	1987 Act.	1988 Est.	1989 Est.
<u>Cooperative Surveys with States and Concerned Federal Agencies</u>					
Tombigbee	Alabama	State & COE	167	191	151
Alaska Rivers	Alaska	State	390	128	46
Kuskokwim River	Alaska	State	32	43	51
Kenai River	Alaska	State	0	170	156
Central Arizona Ground- Water Conservation	Arizona	State	100	7	0
Water Resource Study	Arizona	State	0	162	235
Arkansas Delta	Arkansas	State	322	0	0
Arkansas Highlands Study	Arkansas	State	20	280	275
California Statewide CRBS	California	State	454	467	436
CO Streambank Erosion	Colorado	State	87	152	47
Eros. Prot. on Yampa River	Colorado	State	0	0	47
Coastal Sussex County	Delaware	State	120	93	58
Central FL Water Conser- vation	Florida	Cons. Dist	99	0	0
Tri-County	Florida	State	0	84	50
Watershed Protection No.1	Georgia	State	165	123	1
Watershed Protection No.2	Georgia	State	39	66	248
Water Resources on Guam	Guam	Cons. Dist	0	90	98
Upcountry Maui	Hawaii	State	100	23	1
Special Erosion Study	Idaho	State	223	88	9
Idaho Irrigation Study	Idaho	State	60	38	0
Raft River	Idaho	State	67	113	48
Hydrology Unit Study	Illinois	State	5	105	50
E. Central Erosion Study	Indiana	State	232	31	2
NE IN Erosion Study	Indiana	State	146	18	2
NW Central Erosion Study	Indiana	State	0	175	208
SW Central Erosion Study	Indiana	State	0	161	202
Kankakee River	Indiana	State	68	0	0
Skunk River	Iowa	State	316	35	0
Western Iowa Rivers	Iowa	State	0	312	316
Northeast Kansas Erosion	Kansas	State	222	234	138
Kentucky Statewide	Kentucky	State	19	0	0
Southeast Kentucky River	Kentucky	State	139	161	201
East Central Barataria	Louisiana	State	169	123	71
Cropland Erosion, Aroostook County	Maine	State	71	45	0
West Chesapeake	Maryland	State	64	0	0
Chesapeake Bay	Maryland	State	0	103	30
Saginaw Bay Area	Michigan	State	232	2	1
NW Lower Mich. Ero. & Water Quality	Michigan	State	22	193	314
Minnesota River Subbasins	Minn & SD	State & COE	307	305	188
Upper Otter Tail River	Minnesota	State	0	3	48
Tombigbee & Tuscumbe	Mississippi	State & COE	371	338	140
Three Forks Grand River	Missouri	State	314	222	72
Crooked River	Missouri	State	0	0	147
Montana Water Cons. Stdy	Montana	State	94	130	71

Geographic Breakdown and Funding for River Basin Surveys and Investigations
(Dollars in Thousands)

River Basin or Region	States Involved	Obligations	1987 Act.	1988 Est.	1989 Est.
		Cooperating Agencies			
<u>Cooperative Surveys with States and Concerned Federal Agencies</u>					
Nebraska Sandhills	Nebraska	Nat.Res. Dist.	140	50	38
Nebraska Watershed Eval.	Nebraska	State	48	195	183
NJ Soil & Water Assessment	New Jersey	State	49	0	70
Agricultur Water Needs	New Jersey	State	0	6	44
Hidalgo Y Luna	New Mexico	State	94	116	145
Oriskany and Kayaderossera	New York	State	266	22	0
Beaver Brook	New York	State	0	182	128
Broad Catawba River	N. Carolina	State	190	125	4
Upper Tar River	N. Carolina	State	0	103	92
Des Lacs Souris River	N. Dakota	State	192	175	36
Impact of Erosion & Conser	Ohio	State	115	69	39
Impact of Nonpoint Source Pollution	Ohio	State	0	100	144
SW. Oklahoma Eros. & Sed.	Oklahoma	State	91	52	1
Upper Cimarron,Canadian, Red Rivers	Oklahoma	State	0	75	76
Malheur River	Oregon	State	0	72	66
Big Cove & Laurel Hill Creeks	Pennsylvania	State	49	0	0
Chesapeake Bay	Pennsylvania	State	0	71	1
West Piedmont	S. Carolina	State	247	114	49
Palmetto	S. Carolina	State	82	143	236
West Eight	Tennessee	State	308	204	123
Critical Flooding & Eros.	Texas	State	103	0	0
Western River Basins	Texas	State	0	239	165
Montezuma Creek	Utah	State	0	56	52
Upper Virgin	Utah	State	163	88	121
Vermont Flood & Erosion	Vermont	State	151	114	39
Southwest Virginia	Virginia	State	172	84	5
S.Cent.Roanoke River & Buena Vista	Virginia	State	0	89	99
East High Columbia	Washington	State	57	2	0
Puget Sound	Washington	State	111	277	277
Guyandotte River	W.Virginia	State & CTY	168	66	52
Little Kanawha River	W. Virginia	State	2	169	196
Golden Sands	Wisconsin	State	7	12	6
Ground Water Protection	Wisconsin	State	134	116	14
Loess Hills	Wisconsin	State	0	0	14
Wyoming Cooperative Irrig and Water Conservation	Wyoming	State	241	83	0
Water Cons. Study #2	Wyoming	State	0	181	370
Undistributed			0	0	1,000
USDA Coop. Studies			8,417	8,464	8,043
Floodplain Mgt. Studies			2,039	2,080	1,766
Interagency Coord. and Program Formulation			1,474	1,507	0
TOTAL DIRECT OBLIGATIONS			11,930	12,051	9,809

Watershed Planning and Construction

The Watershed Planning and Construction line item funds those activities authorized by the Watershed Protection and Flood Prevention Act, as amended, (16 U.S.C. 1001-1008) and the Flood Control Act, as amended and supplemented, (33 U.S.C. 701, 16 U.S.C. 1006a), which relate to planning and installing individual watershed projects and flood prevention subwatershed projects as follows:

The Department makes surveys of proposed small watershed and flood prevention subwatershed projects and prepares plans in cooperation with local sponsors. The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, and other policies and procedures used in the Flood Prevention Program generally parallel those of the Watershed Protection Program. The planning activities consist of cooperation between the Federal Government and State governments and their political subdivisions in assisting local sponsoring organizations to develop plans for proposed watershed projects; conducting surveys and investigations to determine the land and water resource problems and opportunities within the watershed; studying alternatives to provide the best combination of land treatment, nonstructural, and structural measures for the protection, conservation, development, management, and utilization of land, water, and related resources; compiling information that is the basis for mutual agreement by the Department, local organizations, and the public concerning the possible alternative solutions which will best meet environmental, social, and economic goals; making environmental assessments concurrently with other planning efforts for every proposed watershed project; and preparing environmental impact statements when applicable and making them available to the public. The watershed plans identify the soil and water management problems in the watershed, list the steps that have been or are authorized to be taken to alleviate these problems, outline the proposed works of improvement to be installed, itemize the estimated benefits and costs, set out the cost-sharing and operation and maintenance arrangements, and present other facts necessary to justify Federal participation in project development.

The following table lists actual and projected progress for small watershed applications, planning, and operations.

<u>Activity</u>	<u>1987 Actual</u>	<u>1988 Estimate</u>	<u>1989 Estimate</u>
1. <u>Application for planning assistance:</u>			
On hand, cumulative, start of year...	2,340	2,363	2,385
Net change during year.....	23	22	0
On hand, cumulative, end of year....	<u>2,363</u>	<u>2,385</u>	<u>2,385</u>
Consisting of:			
a. Authorized for planning.....	2,038	2,068	2,068
b. Available for planning.....	325	317	317
2. <u>Status of planning:</u>			
Authorized, cumulative, start of year	2,016	2,038	2,068
LESS:			
Suspended or terminated, cumulative, start of year.....	480	484	486
Completed, cumulative, start of year.	<u>1,382</u>	<u>1,436</u>	<u>1,481</u>
SUBTOTAL:			
Planning in process, start of year...	154	118	101
PLUS:			
New authorizations during year.....	22	30	0
LESS:			
Terminated during year.....	4	2	2
Completions during year.....	54	45	40
Planning in process, end of year....	<u>118</u>	<u>101</u>	<u>59</u>

The Department helps install watershed improvement measures to reduce flood, sediment, and erosion damages; further the conservation, development, utilization, and disposal of water; further the conservation and proper utilization of land; and to accomplish other measures incorporated in subwatershed work plans. The following table shows the status of subwatershed work plans:

<u>Subwatersheds Status</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
In Preconstruction.....	20	19	19
In construction.....	86	88	88
Completed construction.....	225	225	225
Feasible, but not started.....	75	74	74
Total subwatersheds.....	<u>406</u>	<u>406</u>	<u>406</u>

The Department provides technical and financial assistance to local organizations to install the watershed works of improvement for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife development, and other authorized features specified in the work plans.

The following table shows the status of PL-566 watershed projects:

<u>Status of Operational Projects</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Projects in pre-construction end-of-year..	181	206	246
Projects under construction, start of year	399	407	397
New construction starts.....	6	20	0
Less: Projects completed during year.....	12	10	10
Projects continuing land treatment.....	45	31	51
Projects completed, end of year.....	662	672	682
Projects not requiring funds.....	155	155	155
Total operational projects.....	<u>1,436</u>	<u>1,481</u>	<u>1,521</u>

Emergency Watershed Protection Operations

Funding authority for FY 1989 is requested under Sections 403-405 of the Agricultural Credit Act of 1978. Funding is for such emergencies for runoff retardation and soil erosion prevention as may be needed to safeguard life and property from floods and the products of erosion on any watershed whenever flood, fire, drought, or any other natural element causes a sudden impairment of the watershed. The Department administers the program by providing technical assistance and arranging with local contractors to install most of the required measures.

Loan Services Assistance: Funds are provided the Farmers Home Administration (FmHA) to service loans made to sponsors from the Agricultural Credit Insurance Fund. Loan services must be provided from Water Resource Management and Protection funds because the Agricultural Credit Insurance Fund of the FmHA is not available for such expenses. There was only one loan obligated in FY 1987, none are anticipated for FY 1988, and the authority for new loans is not being requested in FY 1989.

GAO Reports: None.

OIG Reports:

In Progress:

#10099-8-HY

9/02/87 SCS Administration of PL-566 Long Term Contracts.

Distribution of Funds by Agency for Operating Flood Prevention Projects

	1987 Obligations:	Brought Forward from 1987	1988 Appro- priation (adjusted)	Estimated Obligations 1988	Budget Estimate 1989
<u>SOIL CONSERVATION SERVICE</u>					
Buffalo Creek, NY.....	--:	--:	--:	--:	--
Colorado (Middle), Texas..	890,425:	--:	1,639,429:	1,639,429:	903,325
Coosa, Georgia,	:	:	:	:	:
Tennessee	-43:	--:	--:	--:	:
Little Sioux, Iowa.....	2,237,769:	--:	2,334,285:	2,334,285:	1,286,204
Little Tallachatchie, MS..	756,166:	852,496:	1,571,550:	2,424,046:	1,335,809
Los Angeles, California...	--:	--:	--:	--:	--
Potomac, MD, PA, VA, and	:	:	:	:	:
W. VA.....	2,613,003:	349,000:	2,858,545:	3,207,545:	1,767,568
Santa Ynez, California....	356,607:	20,000:	130,575:	150,575:	82,976
Trinity, Texas.....	4,346,317:	--:	3,703,850:	3,703,850:	2,041,065
Washita, Oklahoma, Texas..	2,967,355:	--:	2,999,000:	2,999,000:	1,652,646
Yazoo, Mississippi.....	7,226,208:	2,255,000:	8,613,766:	10,868,766:	5,989,407
Subtotal, SCS.....	21,393,807:	3,476,496:	23,851,000:	27,327,496:	15,059,000
<u>FOREST SERVICE a/</u>					
Little Sioux, Iowa.....	--:	--:	--:	--:	--
Little Tallahatchie, MS...	--:	--:	--:	--:	--
Los Angeles, California...	1,220,000:	--:	1,294,106:	1,294,106:	480,000
Potomac, MD, PA, VA, and	:	:	:	:	:
W. VA.....	174,000:	--:	184,570:	184,570:	68,400
Santa Ynez, California....	669,312:	--:	741,460:	741,460:	274,980
Trinity, Texas.....	68,000:	--:	72,131:	72,131:	27,000
Washita, Oklahoma, Texas..	42,000:	--:	44,551:	44,551:	16,500
Yazoo, Mississippi.....	3,000:	--:	3,182:	3,182:	120
Subtotal, Forest Service	2,176,312:	--:	2,340,000:	2,340,000:	867,000
<u>FARMERS HOME ADMINISTRATION</u>					
Loan Services.....	80,000:	--:	80,000:	80,000:	40,000
Total, P.L.-534 operations..	23,650,119:	3,476,496:	26,271,000:	29,747,496:	15,966,000

a/ Forest Service distribution of 1988 obligations are estimated.

PL-566 Project Activity and Obligations

The following table shows the status of Public Law 566 projects by stage of assistance and amounts obligated or estimated to be obligated.

	1987		1988		1989	
	Number	Dollars in Thousands	Number	Dollars in Thousands	Number	Dollars in Thousands
1. Projects approved for operation and estimated cost of completion:						
a. Uncompleted projects at beginning of year..	732	1,435,856	774	1,383,125	809	1,308,249
b. Projects approved during year.....	54	91,123	45	70,000	40	50,000
Total.....	786	1,526,979	819	1,453,125	849	1,358,249
2. Status of projects and amounts obligated:						
a. Projects inactive end of year	22	--	20	--	10	--
b. Deauthorized, cumulative.....	133	--	135	--	145	--
c. Projects receiving preconstruction land treatment and engineering services, end of year.....	181	13,934	206	14,900	246	14,000
d. Projects moved into construction during year.....	6	1,066	20	4,000	--	--
e. Prior year projects continuing construction and land treatment.....	387	124,178	397	122,796	387	63,683
f. Projects with construction completed continuing land treatment.....	45	1,382	31	930	51	1,000
g. Projects completed during year.....	12	3,294	10	2,250	10	2,000
Subtotal.....	786	143,854 a/	819	144,876	849	80,683
3. Uncompleted projects (cumulative) at end of year:						
a. Obligations to date...	774	2,105,135	809	2,247,761	839	2,326,444
b. Estimated cost of completion.....	--	1,383,125	--	1,308,249	--	1,277,566
4. Projects completed (cumulative and total cost).....	662	785,496	672	787,746	682	789,746
5. Total projects approved (cumulative and total cost).....	1,436	4,273,756	1,481	4,343,756	1,521	4,393,756
6. Less program terminations.	--	--	--	--	--	--
Total (cumulative obligations)	1,436	2,890,631	1,481	3,035,507	1,521	3,116,190

a/ Reflects the \$6.8 thousand recovery of prior year unobligated funds from the Economic Research Service.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease in appropriation (and available funds) of \$2,242,000 for river basin surveys and investigations activities consisting of:

- (a) A program decrease of \$2,242,000 to provide only high priority USDA cooperative studies and floodplain management assistance.

Need for Change. The reduction is proposed primarily for fiscal policy reasons in order to limit federal spending. The FY 1989 Budget proposes to merge the river basin survey and investigation activities into a single appropriation account that includes all water resource programs carried out by the Soil Conservation Service. The merger has been proposed to make these programs more efficient and effective in meeting their objectives and the commitments that were made in the past to protect the Nation's agricultural lands.

Nature of Change. Work on ongoing USDA cooperative studies and floodplain management studies would continue at about ninety-five percent and eighty-five percent, respectively, of the current level. New study starts would be initiated only for high priority work or in response to urgent natural resource concerns. No new reimbursable flood insurance studies would be initiated and all ongoing studies would be completed during the year. Interagency coordination and program formulation would no longer be conducted as a separate Soil Conservation Service program activity. These functions would be carried out on a national scale by other agencies as needed.

- (2) A net decrease in appropriation of \$67,198,000 for watershed planning and construction (on the basis of available funds there is a decrease of \$79,448,350) consisting of:

- (a) A program decrease of \$67,198,000 to provide high priority watershed planning and construction assistance .

Need for Change. The reduction is proposed primarily for fiscal policy reasons in order to limit federal spending. The FY 1989 Budget proposes to merge the watershed planning and construction activities into a single appropriation account that includes all water resource programs carried out by the Soil Conservation Service. The merger has been proposed to make these programs more efficient and effective in meeting their objectives and the commitments that were made in the past to protect the Nation's agricultural lands. Administrative changes are proposed to ensure that only those projects that are currently cost effective are built.

Nature of Change. Planning activities would continue at nearly eighty-three percent of the current level. No new plans would be initiated, and efforts would be placed on completing high priority work in process. The number of plans continuing at the end of the year would be reduced to about fifty-eight percent of the current level so that future program efforts would be directed towards completing high priority projects. Financial assistance for construction activities would be limited to contract modifications and urgently needed work. In FY 1989, most of the funds would be needed for technical assistance to avoid a reduction-in-force action, and it could take another year to bring the program into the proper balance of planning, technical assistance and financial assistance. New legislation would be proposed to provide program consistency with the Corps of Engineers for flood control projects. Sponsors would be required to provide all lands, easements, rights-of-way and dredged disposal areas. For each project, they would also be required to contribute between twenty-five and fifty percent of the cost of flood control structural measures, of which at least five percent of the total non-Federal share must be in cash. Administrative changes would be made to use the current discount rate for project evaluation for new and approved active projects. Projects that are not cost effective at the current discount rate would be either terminated or remain unfunded.

- (3) A net decrease in appropriation of \$1,000,000 for emergency watershed protection operations (on the basis of available funds there is a decrease of \$11,385,237) consisting of:

- (a) A program decrease of \$1,000,000 to provide emergency watershed protection assistance.

Need for Change. The reduction is proposed primarily for fiscal policy reasons in order to limit federal spending. The FY 1989 Budget proposes to merge the emergency watershed protection operations into a single appropriation account that includes all water resource programs carried out by the Soil Conservation Service. The merger has been proposed to make these programs more efficient and effective in meeting their objectives and the commitments that were made in the past to protect the Nation's agricultural lands.

Nature of Change. The annual limitation for new budget authority to carry out this activity would be lowered to \$2.5 million. As in past years, additional funds needed to reduce hazards to life and property in watersheds damaged by severe natural events could be provided in supplemental appropriations requested during the year.

- (4) A net decrease in appropriation (and available funds) of \$135,000 for loan services consisting of:

- (a) A program decrease of \$135,000 to provide loan service assistance.

Need for Change. The reduction is proposed primarily for fiscal policy reasons in order to limit federal spending. The FY 1989 Budget proposes to merge loan service activities into a single appropriation account that includes all water resource programs carried out by the Soil Conservation Service. The merger has been proposed to make these programs more efficient and effective in meeting their objectives and the commitments that were made in the past to protect the Nation's agricultural lands.

Nature of Change. No new loans would be made by the Farmers Home Administration during the year and funding authority for new loans would not be requested in the appropriation language. The proposed reduction would reflect the funding level needed by the Farmers Home Administration to service loans made in past years.

SOIL CONSERVATION SERVICE
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
 1987 AND estimated 1988 AND 1989
 WATER RESOURCE MANAGEMENT AND PROTECTION

	1987		1988		1989	
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
ALABAMA	\$2,777,365	34	\$2,709,077	27	\$1,505,469	20
ALASKA	878,388	6	275,491	6	243,482	5
ARIZONA	3,595,149	37	4,484,738	37	2,356,707	28
ARKANSAS	4,846,373	58	5,897,367	54	3,184,950	41
CALIFORNIA	9,744,446	66	6,177,119	60	3,390,748	46
COLORADO	1,033,792	11	924,010	11	471,771	6
CONNECTICUT	1,860,347	16	1,245,912	16	832,696	13
DELAWARE	989,856	17	921,692	16	574,073	9
FLORIDA	807,780	14	930,520	14	588,488	10
GEORGIA	1,955,949	25	2,569,842	23	1,485,012	20
HAWAII	4,187,955	15	3,807,696	21	1,766,166	17
IOAHO	1,343,905	14	1,077,625	11	458,894	6
ILLINOIS	5,794,797	38	5,828,082	31	2,568,541	22
INDIANA	1,217,400	27	2,673,448	20	1,467,510	18
IOWA	6,308,768	87	7,648,409	77	4,270,257	58
KANSAS	5,892,436	58	7,135,146	65	3,718,250	46
KENTUCKY	2,218,543	26	1,834,307	23	1,182,597	18
LOUISIANA	5,174,070	54	3,782,687	46	2,222,945	34
MAINE	2,089,714	15	408,427	8	283,275	6
MARYLAND	462,750	9	388,608	7	256,224	5
MASSACHUSETTS	7,087,693	21	553,789	12	460,922	8
MICHIGAN	3,787,288	30	1,711,491	20	1,174,716	18
MINNESOTA	2,560,084	30	5,395,900	33	2,520,571	25
MISSISSIPPI	21,487,421	220	29,686,254	191	13,974,754	138
MISSOURI	3,780,119	55	5,891,595	57	3,232,725	43
MONTANA	942,710	21	1,604,171	18	981,065	14
NEBRASKA	3,674,597	47	5,149,437	39	2,583,040	29
NEVADA	213,194	3	71,423	2	43,094	1
NEW HAMPSHIRE	2,398,999	15	1,146,805	18	806,512	14
NEW JERSEY	2,496,919	15	870,967	16	804,982	15
NEW MEXICO	8,875,857	29	3,061,236	30	1,711,937	23
NEW YORK	5,014,775	32	3,241,449	23	1,583,377	18
NORTH CAROLINA	3,608,595	47	3,239,415	37	1,819,296	26
NORTH DAKOTA	624,908	11	2,757,750	11	1,078,934	7
OHIO	4,273,385	36	3,080,634	32	1,684,496	24
OKLAHOMA	13,137,293	130	13,245,377	126	7,136,828	93
OREGON	1,303,088	14	1,874,630	14	929,132	10
PENNSYLVANIA	5,960,590	36	3,399,742	32	1,782,847	22
PUERTO RICO	447,366	5	930,348	7	481,000	6
RHODE ISLAND	83,894	1	107,043	1	67,234	1
SOUTH CAROLINA	3,525,736	29	1,476,990	24	1,156,772	20
SOUTH DAKOTA	174,036	3	50,948	2	42,900	1
TENNESSEE	3,661,638	41	5,028,805	45	2,596,062	31
TEXAS	16,051,627	175	15,884,474	195	9,447,254	141
UTAH	784,825	13	1,952,664	11	954,730	10
VERMONT	4,049,516	14	657,129	11	434,496	8
VIRGINIA	4,976,373	40	4,996,021	41	2,536,166	31
WASHINGTON	2,967,702	20	2,669,310	27	1,534,369	21
WEST VIRGINIA	9,933,327	77	7,477,803	65	4,031,863	50
WISCONSIN	648,689	11	1,065,219	9	487,604	5
WYOMING	372,669	7	256,667	7	404,067	8
CHESTER NTC	1,358,682	21	1,608,473	21	1,469,100	19
FORT WORTH NTC	2,871,726	55	2,763,999	53	2,486,200	47
LINCOLN NTC	1,592,474	33	1,591,337	34	1,447,700	30
PORTLAND NTC	2,073,849	33	1,932,668	32	1,765,200	28
NATIONL HQQTRS	7,264,458	102	7,149,421	101	5,972,000	88
FMHA ALLOCATN	255,000	9	255,000	8	120,000	4
FS ALLOCATION	4,731,660	85	4,654,000	71	1,428,000	26

TOTAL, Available

 or Estimate \$222,232,545 2,193 \$209,210,587 2,049 \$116,000,000 1,531

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Great Plains Conservation Program

For necessary expenses to [carry into effect a program of conservation in the Great Plains area, pursuant to section 16(b) of the Soil Conservation and Domestic Allotment Act, as added by the Act of August 7, 1956, as amended (16 U.S.C. 590p(b)), \$20,474,000 to remain available until expended.] closeout activities previously funded under this account, \$6,013,000.

This change deletes language to carry out the Great Plains Conservation Program beyond FY 1989. Program operations would be terminated as quickly as possible.

Great Plains Conservation Program

Appropriation Act, 1988.....	\$20,474,000
Budget Estimate, 1989.....	6,013,000
Decrease in Appropriation.....	<u>-14,461,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1988 Estimated	Program Changes	1989 Estimated
Great Plains Conservation Program:			
1. Cost-sharing assistance.....	\$11,559,000	-\$11,559,000	--
2. Cost-share program and contract administration	2,853,000	-929,000	\$1,924,000
3. Technical assistance.....	6,062,000	-1,973,000	4,089,000
TOTAL AVAILABLE.....	<u>20,474,000</u>	<u>-14,461,000</u>	<u>6,013,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1987 Amount	1987 : Staff: : Years:	1988 estimated Amount	1988 estimated : Staff: : Years:	Decrease	1989 estimated Amount	1989 estimated : Staff: : Years:
Great Plains Conserva- tion Program:							
1. Cost-sharing assistance.....	\$11,413,000	--	\$11,559,000	--	-\$11,559,000	--	--
2. Cost-share program and contract administration.....	2,900,000	72	2,853,000	70	-929,000	\$1,924,000	13
3. Technical assistance.....	6,161,000	153	6,062,000	150	-1,973,000	4,089,000	27
Total available or est	<u>20,474,000</u>	<u>225</u>	<u>20,474,000</u>	<u>220</u>	<u>-14,461,000</u>	<u>6,013,000</u>	<u>40</u>

PROJECT STATEMENT
(On basis of available funds)

Project	1987 Amount	1987 : Staff: : Years:	1988 estimated Amount	1988 estimated : Staff: : Years:	Decrease	1989 estimated Amount	1989 estimated : Staff: : Years:
Direct obligations:							
Great Plains Conserva- tion Program:							
1. Cost-sharing assistance.....	\$11,412,283	--	\$11,559,000	--	-\$11,559,000	--	--
2. Cost-share program and contract administration.....	2,861,117	72	2,896,000	70	-972,000	\$1,924,000	13
3. Technical assistance.....	6,079,874	153	6,155,068	150	-2,066,068	4,089,000	27
Total direct oblig....	<u>20,353,274</u>	<u>225</u>	<u>20,610,068</u>	<u>220</u>	<u>-14,597,068</u>	<u>6,013,000</u>	<u>40</u>
Unobligated balance brought forward.....	(-15,342)	--	(-136,068)	--	(+136,068)	--	--
Unobligated balance carried forward.....	(+136,068)	--	--	--	--	--	--
Adjusted appropriation	(20,474,000)	(225)	(20,474,000)	(220)	(-14,461,000)	(6,013,000)	(40)
Reimbursable oblig....	38,474	--	60,000	--	-60,000	--	--
Obligational authority	<u>20,391,748</u>	<u>225</u>	<u>20,670,068</u>	<u>220</u>	<u>-14,657,068</u>	<u>6,013,000</u>	<u>40</u>

SOURCES OF REIMBURSEMENTS

Project	1987 Actual	1988 (estimated)	Decrease	1989 (estimated)
Federal Sources.....	\$24,349:	\$19,000 :	-\$19,000 :	--
Other Non-Federal Sources.....	14,125:	41,000 :	-41,000 :	--
Total reimbursements.....	<u>38,474:</u>	<u>60,000 :</u>	<u>-60,000 :</u>	<u>--</u>

OUTLAYS

Great Plains Conservation Program:				
1. Cost-sharing assistance.....	\$ 8,965,712:	\$11,104,000 :	-\$967,000 :	\$10,137,000
2. Cost-share program and contract administration.....	2,740,968:	2,785,000 :	-1,682,000 :	1,103,000
3. Technical assistance.....	5,824,557:	5,917,000 :	-3,573,000 :	2,344,000
Total Outlays.....	<u>17,531,237:</u>	<u>19,806,000 :</u>	<u>-6,222,000 :</u>	<u>13,584,000</u>

EXPLANATION OF PROGRAM

Authorization: The appropriation for "Great Plains Conservation Program" funds Soil Conservation Service activities authorized under Section 15(b) of the Soil Conservation and Domestic Allotment Act (PL 74-46) as amended by PL 84-1021. PL 96-263 amended PL 84-1021 to extend the Great Plains cost-share contracting authority to September 30, 1991.

Authorization limits: Total cumulative appropriations of \$600,000,000 are authorized for cost-sharing. Cost-sharing payment in any one fiscal year may not exceed \$50,000,000. Through September 30, 1987, \$319,988,973 have been paid out in cost-shares.

This program is in addition to other USDA soil and water conservation programs in the counties designated for participation, and is coordinated with programs and objectives of locally managed conservation districts, State agencies, and community groups.

Potential Workload:	Acres (in 000's)
Estimated acreage in the 518 designated counties that could come under Great Plains contracts.....	198,000
Current Activity:	
Land under active contracts as of September 30, 1987.....	15,400

The purpose of the program is to assist farmers and ranchers in planning and applying resource management systems on their farms and ranches to prevent or reduce the effects of the climatic hazards of the area. Benefits to be achieved are protection and improvement of soil, water, plant, and wildlife resources through reduction of erosion and sedimentation, abatement of agriculture-related pollution, and, as a secondary benefit, a stabilizing impact on the local economy. Activities include:

- Cost-sharing assistance - Payments are made to program participants for a share of the cost of installing eligible conservation practices scheduled in contracts, including, among others, terraces, permanent vegetative cover, re-establishing grasslands and pipelines.
- Cost-share programming and contract administration - Soil Conservation Service provides assistance in developing contracts, which include schedules of conservation practices to be applied, and administers contracts.
- Technical assistance - Soil Conservation Service provides assistance to help farmers and ranchers plan, install, and maintain scheduled conservation practices according to standards and specifications.

PROGRAM RESULTS

<u>PROGRAM RESULTS</u>		FY 1987	FY 1988	FY 1989
		Actual	Estimate	Estimate
Active Contracts - beginning of year.....		5,426:	5,261:	4,820
New Contracts signed.....	Annual	902:	910:	--
	Cumulative	64,386:	65,296:	65,296
Contracts Completed and Terminated.....	Annual	1,067:	1,351:	1,000
	Cumulative	58,935:	60,286:	61,286
Active Contracts - end of year.....		<u>5,261:</u>	<u>4,820:</u>	<u>3,820</u>
Applications awaiting contracts beginning of year		1,587:	1,028:	768
Applications received.....	Annual	443:	750:	--
Applications serviced.....	Annual	-902:	-910:	--
Applications cancelled.....	Annual	-100:	-100:	-768
Applications on hand end of year.....		<u>1,028:</u>	<u>768:</u>	<u>--</u>
Acres in new contracts (1,000).....	Annual	2,599:	2,622:	--
Acres in applications on hand	(1,000's)	2,961:	2,160:	--
Number of participants serviced.....	Annual	6,328:	6,171:	--

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease in appropriation of \$14,461,000 for the Great Plains Conservation program (on the basis of available funds there is a decrease of \$14,597,068) consisting of:

- (a) A program decrease of \$20,474,000 to terminate the Great Plains Conservation Program.

Need for change. Due to the need to hold down Federal spending, funding for conservation cost-share programs is proposed to be eliminated. Funding from State and local governments and private sources, which account for a major portion of the total conservation investment would permit continuation of higher priority conservation work on the Nation's agricultural lands.

Nature of change. The proposed reduction would terminate new funding for the Great Plains Conservation Program by the end of fiscal year 1989. No new contracts would be signed and all pending applications would be cancelled. Commitments under existing contracts would be honored. Payments to cooperators would continue over the next several years as work is completed. Technical assistance and contract administration would be done under the basic conservation technical assistance program funded under the "Conservation Operations" account.

- (b) An increase of \$6,013,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

Soil Conservation Service
 GEOGRAPHIC BREAKDOWN OF OLBIGATIONS AND STAFF YEARS
 1987 and ESTIMATED 1988 and 1989
 GREAT PLAINS CONSERVATION PROGRAM

	1987		1988		1989	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Colorado	1,719,462	16	2,015,575	17	483,884	3
Kansas	2,127,885	18	1,971,228	22	585,736	4
Montana	1,653,090	20	1,707,532	18	406,070	3
Nebraska	1,986,499	25	1,916,220	23	549,512	4
New Mexico	864,843	10	951,774	10	268,664	2
North Dakota	1,247,964	17	1,446,835	17	449,114	3
Oklahoma	1,620,358	16	1,621,856	16	408,753	3
South Dakota	1,981,978	21	2,028,575	19	585,066	3
Texas	5,460,598	63	5,253,610	59	1,594,648	10
Wyoming	1,160,939	12	1,174,138	12	335,634	2
Fort Worth NTC	28,900	1	33,338	1	21,914	1
Lincoln NTC	41,977	1	48,338	1	32,087	1
Portland NTC	28,531	0	24,669		16,435	0
National Hdqtrs.	430,250	5	416,380	5	275,483	1
Total, Available or Estimate	20,353,274	225	20,610,068	220	6,013,000	40

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Resource Conservation and Development

- For necessary expenses in planning and carrying out projects for resource conservation and development and for sound land use pursuant to the provisions of section 32(e) of title III of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1010-1011); 76 Stat. 607), and the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and the provisions of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461), [~~\$25,120,000~~] \$25,020,000: Provided,
- 1 [That \$1,207,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund to the Farmers Home Administration (7 U.S.C.1931): Provided further,] That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed
 - 2 \$50,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That during fiscal year 1989 no new direct loans shall be made for the Resource Conservation and Development program from the Agricultural Credit Insurance Fund of the Farmers Home Administration.

These changes delete language for the Farmers Home Administration to provide resource conservation and development loans from the Agricultural Credit Insurance Fund in FY 1989 and add language to prohibit these loans in fiscal year 1989. Approximately \$471 million in loans and grants would be available for the Department's Rural Development Initiative under other Farmers Home Administration funds.

Resource Conservation and Development

Appropriation Act, 1988.....	\$25,120,000
Budget Estimate, 1989.....	25,020,000
Decrease in Appropriation.....	<u>- 100,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1988 Estimated	Program Changes	1989 Estimated
Resource Conservation and Development:			
1. Technical assistance.....	\$18,094,000	+\$1,766,000	\$19,860,000
2. Financial assistance.....	6,966,000	-1,866,000	5,100,000
Loan services.....	60,000	--	60,000
TOTAL AVAILABLE.....	<u>25,120,000</u>	<u>-100,000</u>	<u>25,020,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1987 Amount	Staff: Years:	1988 estimated Amount	Staff: Years:	Increase or Decrease	1989 estimated Amount	Staff: Years:
Resource Conservation and Development:							
1. Technical assistance.....	\$17,743,000	385	\$18,094,000	399	+\$1,766,000	\$19,860,000	406
2. Financial assistance.....	7,202,000	--	6,966,000	--	-1,866,000	5,100,000	--
3. Loan services.....	75,000	3	60,000	2	--	60,000	2
Total available or est	<u>25,020,000</u>	<u>388</u>	<u>\$25,120,000</u>	<u>401</u>	<u>-100,000</u>	<u>(1)25,020,000</u>	<u>408</u>

PROJECT STATEMENT
(On basis of available funds)

Project	1987 Amount	Staff: Years:	1988 estimated Amount	Staff: Years:	Increase or Decrease	1989 estimated Amount	Staff: Years:
Resource Conservation and Development:							
1. Technical assistance.....	\$17,849,283	385	\$19,203,837	399	+\$ 656,163	\$19,860,000	406
2. Financial assistance.....	6,536,078	--	7,535,736		-2,435,736	5,100,000	--
3. Loan services.....	75,000	3	60,000	2	--	60,000	2
Total direct oblig....	<u>24,460,361</u>	<u>388</u>	<u>26,799,573</u>	<u>401</u>	<u>-1,779,573</u>	<u>25,020,000</u>	<u>408</u>
Unobligated balance brought forward a/...	(-1,119,934)	(--)	(-1,679,573)	(--)	(+1,679,573)	(--)	(--)
Unobligated balance carried forward.....	(+1,679,573)	(--)	(--)	(--)	(--)	(--)	(--)
Appropriation total...	<u>(25,020,000)</u>	<u>(388)</u>	<u>(25,120,000)</u>	<u>(401)</u>	<u>(-100,000)</u>	<u>(25,020,000)</u>	<u>(408)</u>
Reimbursable obligations:							
Resource Conservation and Development:							
(a) Technical assistance.....	93,777	1	185,040	2	--	185,040	2
(b) Financial assistance.....	1,173,232	--	2,314,960	--	--	2,314,960	--
Total reimbursable obligations.....	<u>1,267,009</u>	<u>1</u>	<u>2,500,000</u>	<u>2</u>	<u>--</u>	<u>2,500,000</u>	<u>2</u>
Obligational authority	<u>25,727,370</u>	<u>389</u>	<u>29,299,573</u>	<u>403</u>	<u>100,000</u>	<u>27,520,000</u>	<u>410</u>

a/ Includes \$5,366 unobligated balance from prior years returned by Economic Research Service.

SOURCES OF REIMBURSEMENTS

Project	1987 Amount	1988 Est. Amount	Change	1989 Est. Amount
Federal Sources.....	\$50,558	\$100,000	--	100,000
Non-Federal Sources....	1,216,451	2,400,000	--	2,400,000
Total Reimbursements...	<u>1,267,009</u>	<u>2,500,000</u>	<u>--</u>	<u>2,500,000</u>

OUTLAYS

Resource Conservation and Development:				
(a) Technical assistance.....	\$16,135,369	\$17,134,000	+\$624,000	\$17,758,000
(b) Financial assistance.....	8,192,187	8,430,000	-1,188,000	7,242,000
(c) Loan services.....	75,000	60,000	--	60,000
Total Outlays.....	<u>24,402,556</u>	<u>25,624,000</u>	<u>-564,000</u>	<u>25,060,000</u>

EXPLANATION OF PROGRAM

The appropriation "Resource Conservation and Development" funds the activities authorized under Section 32(e) of Title III of the Bankhead-Jones Farm Tenant Act (Public Law 95-210) as amended and the Soil Conservation and Domestic Allotment Act of April 27, 1935, (Public Law 74-46) as amended and the provision of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461). Program assistance provided authorized RC&D areas includes technical assistance for planning and implementation, financial assistance, and loan services.

Technical Assistance: Staff assistance is provided to local sponsors in the preparation of RC&D area plans for the conservation, development, and utilization of the natural resources in the RC&D area. Staff assistance is also provided to local sponsors in the implementation of their RC&D plans. This includes:

- a. Assistance with inventories and studies of a measure of areawide scale that directly aid sponsors in achieving their RC&D objectives.
- b. Assistance in developing plans, designs, layout, and installation of measures eligible for RC&D financial assistance.
- c. Assistance to sponsors to achieve activities and measures contained in the RC&D plans which are ineligible for RC&D financial assistance.

Financial Assistance: Financial assistance is provided to eligible sponsors to install approved measures. Priority is given to measures related to erosion and sediment control (critical area treatment), flood prevention and farm irrigation, and efficiency in water short areas. Other purposes include land drainage, soil and water management for control of agriculture-related pollutants, public water-based recreation developments, and public water-based fish and wildlife developments.

MAIN WORKLOAD FACTORS

	1987 Actual	1988 Estimate	1989 Estimate
<u>Status of Authorized RC&D Areas:</u>			
RC&D areas authorized at beginning of year.....	191	190	189
New RC&D areas deauthorized during year.....	1	1	0
RC&D areas authorized at end of year.....	190	189	189
Unserviced applications on hand...	45	44	44
<u>RC&D Measures:</u>			
<u>Financially assisted (F.A.):</u>			
In Planning (BOY).....	663	746	836
New Plans in Year.....	330	340	340
New Plans Cumulative.....	7,262	7,602	7,942
Plans Completed in Year.....	76	75	70
Plans Completed Cumulative.....	3,704	3,779	3,849
Plans Cancelled in Year.....	171	175	150
Plans Cancelled Cumulative.....	1,113	1,288	1,438
Plans terminated.....	--	--	--
In Planning (EOY).....	746	836	956
Installation Underway (BOY).....	255	149	104
Installation Started in Year.....	76	75	75
Installation Started Cumulative..	3,704	3,779	3,849
Installation Completed in Year...	174	110	72
Installation Completed Cumulative.....	2,911	3,021	3,093
Projects cancelled in year.....	8	10	5
Projects cancelled cumulative....	77	87	92
Projects terminated.....	--	--	--
Installation Underway (EOY).....	149	104	102
<u>Plans Completed, Installation Not Yet Underway:</u>			
Number.....	684	692	704
Cost (\$ in 000's).....	\$153,900	\$155,700	\$158,400
<u>Measures Completed with Other than RC&D Financial Assistance:</u>			
During Year.....	1,014	1,100	1,100
Cumulative.....	20,131	21,231	22,331

Loan Services Assistance: Funds are provided the Farmers Home Administration (FmHA) to service loans made to sponsors from the Agricultural Credit Insurance Fund. Loan services must be provided from Resource Conservation and Development funds because the Agricultural Credit Insurance Fund of the FmHA is not available for such expenses. The workload in FY 1987 consisted of servicing 148 outstanding loans and loan counseling to help local sponsors arrange funding necessary to implement planned financial assistance measures.

Item	1987		1988		1989	
	No.	Actual Amount	No.	Estimated Amount	No.	Estimated Amount
1. Loans obligated during year..	0	\$0	1	\$120,000	0	\$0
2. Borrowers outstanding.....	148	\$15,967,000	149	\$15,587,000	149	\$15,587,000
3. Loans cumulative.....	291	\$28,512,401	292	\$28,632,401	292	\$29,632,401

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease in appropriation of \$100,000 for the Resource Conservation and Development program (on the basis of available funds there is a decrease of \$1,779,573) consisting of:

(a) A program decrease of \$100,000 to provide the fiscal year 1987 appropriation level for the Resource Conservation and Development Program (on the basis of available funds there is a decrease of \$1,779,573).

Need for Change. The \$25,020,000 proposed funding level in the budget would provide sufficient funds to continue contracts in fiscal year 1989.

Nature of Change. The Resource Conservation and Development program is a major component of the Department's Rural Development Initiative that was announced last year. The Initiative includes refocusing community loan, grant and technical assistance programs to help rural communities improve the basic elements, such as water systems and public facilities, that make a rural society work. The Resource Conservation and Development program would provide technical assistance needed to improve the management and conservation of land and water community resources. In fiscal year 1989, staffing for resource conservation and development coordinators would be increased, funding for resource conservation and development financially assisted measures would be reduced, and loans would no longer be made under the Farmers' Home Administration Agricultural Credit Insurance Fund account. Approximately \$471 million in loans and grants would be available from the Farmer's Home Administration for water and sewer, community, and business and industry loan and grant programs. These monies would be used to help leverage the necessary financing from state, local and private sources in order to meet the objectives of the rural development initiative program.

SOIL CONSERVATION SERVICE
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
 1987 and Estimated 1988 and 1989
 RESOURCE CONSERVATION AND DEVELOPMENT

		1987		1988		1989
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
ALABAMA	\$601,125	10	\$646,694	11	\$620,900	11
ARIZONA	481,407	7	437,568	10	459,300	10
ARKANSAS	613,004	12	856,040	11	751,700	11
CALIFORNIA	525,123	5	470,073	8	445,300	8
COLORADO	368,512	6	423,313	6	382,700	6
CONNECTICUT	367,790	5	312,931	5	300,000	5
DELAWARE	72,622	1	125,119	2	122,700	2
FLORIDA	184,000	4	229,598	4	224,200	4
GEORGIA	652,246	10	747,671	8	637,900	8
HAWAII	138,581	2	202,455	3	181,700	3
IDAHO	457,055	8	702,589	9	626,700	9
ILLINOIS	480,329	9	564,536	8	520,300	9
INDIANA	529,065	11	619,768	12	619,200	12
IOWA	583,755	12	648,826	14	666,500	14
KANSAS	585,760	10	612,909	9	567,800	9
KENTUCKY	426,780	10	446,675	8	433,200	8
LOUISIANA	279,000	4	304,176	5	292,300	5
MAINE	555,580	6	548,239	8	505,700	8
MARYLAND	470,563	4	455,234	4	377,200	4
MASSACHUSETTS	249,267	7	361,903	5	323,500	5
MICHIGAN	634,690	9	698,438	9	620,000	9
MINNESOTA	534,511	9	530,392	9	508,600	9
MISSISSIPPI	750,287	9	875,440	9	731,200	9
MISSOURI	478,101	9	574,408	11	564,900	11
MONTANA	641,512	8	505,855	8	482,900	9
NEBRASKA	358,866	5	378,775	5	337,400	5
NEVADA	93,578	3	115,526	3	121,300	3
NEW HAMPSHIRE	156,795	3	168,188	3	164,900	3
NEW JERSEY	408,902	4	358,527	4	308,000	4
NEW MEXICO	305,639	7	519,229	8	476,200	8
NEW YORK	678,827	11	599,872	9	556,000	9
NORTH CAROLINA	553,953	9	594,713	8	532,800	8
NORTH DAKOTA	536,952	6	673,499	6	546,100	6
OHIO	804,158	16	1,067,164	11	897,700	11
OKLAHOMA	925,364	11	1,065,084	21	1,069,800	22
OREGON	409,568	7	332,363	5	312,700	5
PENNSYLVANIA	425,821	8	469,703	7	430,500	7
PUERTO RICO	101,635	3	126,649	3	128,100	3
RHODE ISLAND	124,929	1	108,823	2	107,900	2
SOUTH CAROLINA	458,000	8	444,808	9	446,100	9
SOUTH DAKOTA	443,491	9	691,159	9	607,500	9
TENNESSEE	547,423	9	646,614	8	569,900	8
TEXAS	1,105,916	15	1,096,312	11	916,800	11
UTAH	390,914	6	341,467	8	358,400	8
VERMONT	228,892	4	240,975	4	233,200	4
VIRGINIA	228,868	5	276,688	5	276,000	5
WASHINGTON	211,114	4	343,294	5	319,900	5
WEST VIRGINIA	528,243	10	571,004	12	580,000	12
WISCONSIN	312,742	5	329,198	7	345,500	7
WYOMING	356,949	5	335,615	6	323,400	6
CHESTER NTC	89,928	2	65,431	2	65,400	2
FORT WORTH NTC	136,746	3	119,616	3	119,600	3
LINCOLN NTC	127,998	2	104,280	2	104,300	2
PORTLAND NTC	105,808	3	75,654	3	75,700	3
NATIONL HDQTRS	937,220	12	891,494	12	891,500	12
FMHA ALLOCATN	75,000	3	60,000	2	60,000	2
FS ALLOCATION	629,457	2	687,000	2	771,000	2

TOTAL, Available

or Estimate \$24,460,361 388 \$26,799,573 401 \$25,020,000 408

Passenger Motor Vehicles

Passenger motor vehicles of the Soil Conservation Service are distributed among 50 State Offices and Puerto Rico, 230 area offices, and various technical specialists located at field headquarters. None of these vehicles are used in Washington, D.C. Vehicles are used in rural and other areas where common carrier facilities are either non-existent, uneconomical, or inadequate. The nature of the travel requires a high degree of mobility with frequent stops at field offices, job sites, and other places not serviced by common carrier. Resident technicians servicing farmers and ranchers in conservation districts use pickup trucks rather than passenger vehicles.

Passenger motor vehicles are generally assigned to an office location and not exclusively to one individual. This allows several employees to rely on the use of a single vehicle, thus maximizing utilization, and minimizing the number of vehicles needed.

On September 30, 1987, the Soil Conservation Service had 2,029 passenger vehicles in a total fleet of 10,324 vehicles. The fleet includes pickup trucks, sedan deliveries (light trucks), jeeps, and heavy trucks.

Replacement of Passenger Motor Vehicles. The fiscal year 1989 estimates provide for the replacement of 400 passenger motor vehicles during the fiscal year. The vehicles proposed for replacement are driven more than 60,000 miles or are more than 6 years of age or would be beyond economic repair due to accident or other causes.

SCS is continuing a sound and effective replacement program. During fiscal year 1987, 134 replacements were purchased. Economy of operation and expected use factors are taken into consideration as well as prescribed age and mileage standards in planning replacements.

Age and mileage data for Soil Conservation Service passenger motor vehicles on hand September 30, 1987, are as follows:

<u>Model</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (Thousands)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1979 and older	293	14.5	60 to over 100	688	33.9
1980	234	11.5	50-59	275	13.6
1981	325	16.0	40-49	291	14.3
1982	93	4.6	30-39	276	13.6
1983	266	13.1	20-29	219	10.8
1984	305	15.0	10-19	98	4.8
1985	169	8.3	1-9	143	7.0
1986	149	7.4	Under 1	39	2.0
1987	195	9.6			
TOTAL	<u>2,029</u>	<u>100.0</u>		<u>2,029</u>	<u>100.0</u>

RURAL ELECTRIFICATION ADMINISTRATION

Purpose StatementRural Electrification Administration

The Rural Electrification Administration (REA) was established by Executive Order 7037 on May 11, 1935, to provide loan funds to eligible borrowers for the purpose of extending central station electric service to unserved persons in rural areas. Statutory provision for the agency was made in the Rural Electrification (RE) Act of May 20, 1936; and on July 1, 1939, under Reorganization Plan II, REA became a part of the Department of Agriculture. On October 28, 1949, the purpose of REA was expanded by Public Law 423, which amended the Act to authorize loans for furnishing telephone service to rural areas.

Public Law 93-32, enacted May 11, 1973, amended the Rural Electrification Act of 1936, as amended, by establishing a "Rural Electrification and Telephone Revolving Fund" (RETRF) for the purpose of making insured loans to REA electric and telephone borrowers. Loans made under this authority bear either 2 or 5 percent interest in accordance with criteria specified in the Act, and have a maturity not to exceed 35 years. The Act also authorized REA to guarantee loans made by other lenders at rates and terms agreed upon between the lender and the borrower. The Rural Electrification and Telephone Revolving Fund legislation contains the following statement of Congressional intent regarding the REA programs:

... it is hereby declared to be the policy of the Congress that adequate funds should be made available to rural electric and telephone systems through direct, insured and guaranteed loans at interest rates which will allow them to achieve the objectives of the Rural Electrification Act of 1936, as amended; and that such rural electric and telephone systems should be encouraged and assisted to develop their resources and ability to achieve the financial strength needed to enable them to satisfy their credit needs from their own financial organizations and other sources at reasonable rates and terms consistent with the loan applicant's ability to pay and achievement of the Act's objectives.

In October 1976, Public Law 94-570 amended the Act, changing the statutory criteria used in determining eligibility for the special interest rate (2 percent) insured loans. The change in criteria corrected unintended inequities resulting from P.L. 93-32, to bring the number of borrowers eligible for the special rate more in line with Congressional intent and with borrowers' actual needs for loan funds at this rate.

On August 13, 1981, the Omnibus Budget Reconciliation Act, Public Law 97-35, was signed into law to further amend the RE Act. This legislation changed the Act by eliminating the special 2 percent interest rate on insured loans from the RETRF. However, it did provide that the Administrator may make insured loans at a rate less than 5 percent, but not less than 2 percent, if the borrower has experienced extreme financial hardship, or cannot provide service consistent with the objectives of the Act without charging rates so high that a substantial disparity results between such rates and those charged for similar services in the same or nearby areas by other suppliers.

As of September 30, 1987, REA employed a total of 511 full-time permanent employees, 3 part-time permanent employees, and 7 other employees. The field staff consisted of 119 permanent full-time employees located throughout the United States. These employees utilize their homes as their offices. REA maintains no field offices. The Washington staff was composed of 392 full-time permanent, 3 part-time permanent employees and 7 other employees.

Rural Telephone Bank

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing for the growing capital needs of rural telephone systems. Public Law 92-324, approved June 30, 1972, further amended the Act to permit the Secretary of the Treasury to purchase the Bank's debentures.

Public Law 93-32 made additional amendments to the Act and provided for Bank borrowing authority of 20 times its paid-in capital and retained earnings. It also required that the Bank charge a single interest rate, based on the average cost of money to the Bank, but not less than 5 percent per annum. Bank loans must be fully amortized over a period not to exceed 50 years. Most loans have been made for a 35-year period.

The Rural Telephone Bank is managed by a 13-member board of directors. The Administrator of REA serves as Governor of the Bank until conversion to private ownership, control, and operation, which will take place when 51 percent of the Class A Stock issued to the United States and outstanding at any time after September 30, 1995, has been fully redeemed and retired. The Bank board holds at least four regularly scheduled meetings a year. Activities of the Bank are carried out by REA and the Office of the General Counsel employees.

Through fiscal year 1987, \$477.2 million in Bank capitalization had been made available through the purchase by the United States of the Rural Telephone Bank's Class A Stock. Although the RE Act had originally set the maximum Government contribution at \$300 million, the Farm Bill of 1981 amended the RE Act to permit continued Class A stock purchases in annual amounts not to exceed \$30 million, through fiscal year 1991, with total purchases not to exceed \$600 million.

Rural Communication Development Fund

The Rural Development Insurance Fund (RDIF) was established on October 1, 1972, pursuant to section 116 of the Rural Development Act of 1972 (Public Law 92-419) approved August 30, 1972. The Rural Communication Development Fund (RCDF), a separate account of the RDIF, was established pursuant to Secretary's Memorandum No. 1988 approved May 22, 1979. This action transferred certain financing authorities under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) from the Farmers Home Administration (FmHA) to the Rural Electrification Administration for the purpose of financing the construction of community antenna television services or facilities in rural areas. The RCDF was set up to insure or guarantee loans for community antenna television services or facilities to both cooperatives and commercial borrowers. The program was authorized to utilize the Community Facility authority and the Business and Industrial authorities of the Rural Development Act of 1972.

During fiscal years 1979 and 1980, loan guarantees and administrative costs were funded from amounts authorized for or originally appropriated to FmHA. Since fiscal year 1980, all applicable administrative costs have been provided for in the REA Salaries and Expenses appropriation. Loan authority made available is provided for separately under the Rural Communication Development Fund.

In 1981, it was determined that sufficient capital was available from private investors and that the activity could be more appropriately financed by the private sector. REA continues to administer the existing program by making advances on previous loans and performing debt servicing. The last loan approved or guaranteed under this authority was in fiscal year 1981.

RURAL ELECTRIFICATION ADMINISTRATION

Available Funds and Staff-Years
1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Loan authorizations:						
Rural electrification:						
Insured loans	\$628,389,662:	--	\$622,050,000:	--	--:	--
Loan guarantees (FFB)	174,710,000:	--	813,450,000:	--	--:	--
Total, electric loans	803,099,662:	--	1,435,500,000:	--	--:	--
Rural telephone:						
Insured loans	229,787,000:	--	239,250,000:	--	--:	--
Loan guarantees (FFB)	--:	--	119,625,000:	--	--:	--
Total, telephone loans	229,787,000:	--	358,875,000:	--	--:	--
Rural Telephone Bank Loans ..	185,115,000:	--	177,045,000:	--	\$177,045,000:	--
Total, REA & RTB Loan Authorizations	1,218,001,662:	--	1,971,420,000:	--	177,045,000:	--
Appropriated Funds:						
Salaries and expenses	29,447,000:	524	30,713,000:	547	22,137,000:	384
Office of Administrator	--:	--	155,000:	2	--:	--
Reimbursement to the revolving fund for interest subsidies and losses	20,000,000:	--	327,675,000:	--	--:	--
Purchase of Capital Stock ...	28,710,000:	--	28,710,000:	--	--:	--
Total, Appropriated Funds	78,157,000:	524	387,253,000:	549	22,137,000:	384
Other Federal Funds:						
Reimbursement for Administration of the Rural Telephone Bank	--:	--	--:	--	6,613,000:	115
Federal Financing Bank	--:	--	40,000:	1	40,000:	1
Total, Other Federal Funds	--:	--	40,000:	1	6,653,000:	116
Total, Rural Electrification Administration, Rural Telephone Bank	1,296,158,662:	524	2,358,713,000:	550	205,835,000:	500
Full-time Equivalent Staff-Years	1987 Actual		1988 Estimated		1989 Estimated	
Ceiling	524		550		500	
Non-Ceiling	--		--		--	
Total	524		550		500	

RURAL ELECTRIFICATION ADMINISTRATION
Permanent Positions by Grade and Staff-Year Summary
1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Headquarters	Field	Total	Headquarter	Field	Total	Headquarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-5	--	--	--	1	--	1	1	--	1
ES-4	2	--	2	1	--	1	1	--	1
ES-3	1	--	1	1	--	1	1	--	1
GS/GM-15	15	--	15	15	--	15	15	--	15
GS/GM-14	50	--	50	51	--	51	51	--	51
GS/GM-13	85	109	194	90	112	202	85	112	197
GS-12	53	6	59	57	7	64	53	7	60
GS-11	33	4	37	36	5	41	33	5	38
GS-10	1	--	1	1	--	1	1	--	1
GS-9	15	1	16	21	1	22	15	1	16
GS-8	9	--	9	9	--	9	8	--	8
GS-7	38	--	38	38	--	38	36	--	36
GS-6	30	--	30	30	--	30	29	--	29
GS-5	24	--	24	27	--	27	16	--	16
GS-4	15	--	15	17	--	17	14	--	14
GS-3	10	--	10	14	--	14	7	--	7
GS-2	10	--	10	14	--	14	7	--	7
GS-1	--	--	--	--	--	--	--	--	--
Ungraded Positions	1	--	1	1	--	1	1	--	1
Total Permanent Positions.....	393	120	513	425	125	550	375	125	500
Staff-Years: Ceiling.....	404	120	524	425	125	550	375	125	500
Non-Ceiling.....	--	--	--	--	--	--	--	--	--
TOTAL.....	404	120	524	425	125	550	375	125	500

RURAL ELECTRIFICATION ADMINISTRATION

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters.....	\$14,146,986	\$15,582,700	\$10,642,700
Field.....	<u>5,635,482</u>	<u>5,968,300</u>	<u>4,660,300</u>
Total personnel compensation.....	19,782,468	21,551,000 a/	15,303,000
12 Personnel benefits.....	2,598,180	3,240,000 <u>b/</u>	2,423,000
13 Benefits to Former Personnel.....	<u>9,688</u>	<u>10,000</u>	<u>8,000</u>
Total, Personnel Compensation and Benefits..	<u>22,390,336</u>	<u>24,801,000</u>	<u>17,734,000</u>
Other Objects:			
21 Travel.....	1,617,673	1,993,000 <u>c/</u>	1,459,000
22 Transportation of things.....	72,928	83,000	57,000
23.2 Communications, Utilities and Other Rent	709,504	880,000	681,000
24 Printing and reproduction.....	282,942	323,000	243,000
25 Other services.....	1,106,687	1,349,000	1,099,000
26 Supplies and materials.	263,375	459,000	306,000
31 Equipment.....	464,243	980,000	558,000
42 Insurance Claims and Indemnities.....	<u>1,504</u>	<u>--</u>	<u>--</u>
Total Other Objects....	<u>4,518,856</u>	<u>6,067,000</u>	<u>4,403,000</u>
Total Direct Obligations...	<u>26,909,192</u>	<u>30,868,000</u>	<u>22,137,000</u>
Position Data:			
Average Salary, ES positions.....	\$72,433	\$73,603	\$73,603
Average Salary, GS positions.....	\$37,470	\$38,052	\$38,810
Average Grade, GS positions.....	10.76	10.61	11.02

a/ Includes \$124,000 for Office of the Administrator.

b/ Includes \$13,000 for Office of the Administrator.

c/ Includes \$18,000 for Office of the Administrator.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets; new material underscored):

RURAL ELECTRIFICATION AND TELEPHONE REVOLVING FUND LOAN AUTHORIZATIONS

[To carry into effect the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950 (b)), as follows:

Insured loans pursuant to the authority of section 305 of the Rural Electrification Act of 1936, as amended (7 U.S.C. 935), shall be made as follows: rural electrification loans, not less than \$622,050,000 nor more than \$933,075,000; and rural telephone loans, not less than \$239,250,000 nor more than \$311,025,000; to remain available until expended: Provided, That loans made pursuant to section 306 of that Act are in addition to these amounts but during 1988 total commitments to guarantee loans pursuant to section 306 shall be not less than \$933,075,000 nor more than \$2,100,165,000 of contingent liability for total loan principal: Provided further, That as a condition of approval of insured electric loans during fiscal year 1988, borrowers shall obtain concurrent supplemental financing in accordance with the applicable criteria and ratios in effect as of July 15, 1982: Provided further, That no funds appropriated in this Act may be used to deny or reduce loans or loan advances based upon a borrower's level of general funds.]

This change deletes the language authorizing direct REA loans and guarantee of FFB loans. The Administration will propose legislation to shift from direct loans and guarantee of FFB loans to REA guarantee of 70 percent of private electric distribution and telephone loans and 80 percent guarantee of private power supply loans.

DEPARTMENTAL OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
Rural Electrification and Telephone Revolving Fund

Loan Authorizations - Current Law

	<u>Loan Authorizations</u>
<u>Electrification Loans:</u>	
<u>Direct Loans, RETRF:</u>	
Appropriation Act, 1988 a/	\$622,050,000
Budget Estimate, 1989 b/	--
Change	<u>-622,050,000</u>
 <u>Direct Loans, FFB</u>	
Appropriation Act, 1988 a/	813,450,000
Budget Estimate, 1989 b/	--
Change	<u>-813,450,000</u>
Decrease From 1988	<u><u>-1,435,500,000</u></u>
 <u>Telephone Loans:</u>	
<u>Direct Loans, RETRF:</u>	
Appropriation Act, 1988 a/	239,250,000
Budget Estimate, 1989 b/	--
Change	<u>-239,250,000</u>
 <u>Direct Loans, FFB</u>	
Appropriation Act, 1988 a/	119,625,000
Budget Estimate, 1989 b/	--
Change	<u>-119,625,000</u>
Decrease From 1988	<u><u>-358,875,000</u></u>

a/ A regular 1988 appropriation for this account had not been enacted at the time this budget was prepared. A continuing resolution (Public Law 100-202) provides funds through September 30, 1988.

b/ These estimates do not reflect legislation proposed for later transmittal to shift from direct REA loans and guarantee of FFB loans to 70 percent guarantee of electric distribution and telephone loans and an 80 percent guarantee of power supply loans. The amounts estimated to be guaranteed are \$1,018,955,000 for electric distribution loans, \$100,000,000 for telephone loans, and \$200,000,000 for power supply loans.

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of loan authorizations)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Change</u>	<u>1989 Estimated</u>
<u>Rural Electrification Program:</u>			
Direct Loans, RETRF	\$ 622,050,000	-\$622,050,000	--
Direct Loans, FFB	813,450,000	-813,450,000	--
Total	<u>1,435,500,000</u>	<u>-1,435,500,000</u>	<u>--</u>
 <u>Rural Telephone Program:</u>			
Direct Loans, RETRF	239,250,000	-235,250,000	--
Direct Loans, FFB	119,625,000	-119,625,000	--
Total	<u>358,875,000</u>	<u>-358,875,000</u>	<u>--</u>
 TOTAL, LOAN AUTHORIZATION	 <u>1,794,375,000</u>	 <u>-1,794,375,000</u>	 <u>--</u>

PROJECT STATEMENT - CURRENT LAW
(On basis of loan authorizations)

Project	1987 Actual	1988 Estimated	Decrease	1989 Estimated
1. Rural electrifi- cation loans:				
Direct Loans,				
RETRF	\$628,389,662:	\$622,050,000:	-\$622,050,000(1):	--
Direct Loans,				
FFB	174,710,000:	813,450,000:	-813,450,000(2):	--
Total	803,099,662:	1,435,500,000:	-1,435,500,000	--
2. Rural telephone loans:				
Direct Loans,				
RETRF	229,787,000:	239,250,000:	-239,250,000(3):	--
Direct Loans,				
FFB	--:	119,625,000:	-119,625,000(4):	--
Total	229,787,000:	358,875,000:	-358,875,000	--
Total estimated obligations	1,032,886,662:	1,794,375,000:	-1,794,375,000	--

EXPLANATION OF ELECTRIC AND TELEPHONE LOAN PROGRAM

The loan authorizations of the Rural Electrification Administration are used to carry out the provisions of the Rural Electrification Act of 1936, as amended. The objectives of the program are to provide low interest loans to borrowers that produce and distribute electricity and provide telephone service. REA conducts two loan programs: (1) The rural electrification program, which provides loans to borrowers that distribute electricity to farms and other retail users; and (2) the rural telephone program, which furnishes and improves telephone service in rural areas.

Legislation will be proposed to shift from direct REA loans and REA guaranteed FFB loans to REA guarantee of 70 percent of electric distribution and telephone loans and an 80 percent guarantee of power supply loans made by private lenders. Legislation will also be proposed to discontinue lending assistance to electric and telephone borrowers serving largely urban/suburban areas; borrowers who provide service to predominately recreational areas; and telephone borrowers who are subsidiaries of large holding companies.

Electrification Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1987 Actual	Cumulative Estimates FY 1988	FY 1989
Net loans	\$19,833,743	\$20,455,793	\$20,455,793
Fund advances	18,282,355	18,889,355	19,434,355
Unadvanced funds, end of year	1,551,388	1,566,438	1,021,438
Principal repaid	6,793,211	7,193,430	7,605,633
Interest paid	5,552,937	6,023,024	6,513,611
Loan guarantee commitments	30,959,550	30,107,478	30,107,478
Consumers served-calendar year (thousand-estimated) 1/	11,633	11,742	11,832
Miles energized-calendar year (thousand-estimated) 1/	2,170	2,188	2,223
Number of borrowers.....	967	967	967

Telephone Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1987 Actual	Cumulative Estimates	
		FY 1988	FY 1989
Net loans	\$5,338,205	\$5,577,455	\$5,338,205
Fund advances	4,489,982	4,692,982	4,704,982
Unadvanced funds, end of period	848,223	884,473	633,223
Principal repaid	1,472,636	1,543,317	1,545,433
Interest paid	1,183,244	1,279,557	1,283,757
Loan guarantee commitments	667,340	786,965	786,965
Route miles of line constructed or improved-(thousand-estimated) <u>2/</u> .	890	910	930
Dial subscribers, new and improved service-calendar year (thousands-estimated) <u>2/</u>	4,820	4,910	4,950
Number of borrowers.....	920	910	900

1/ Data represents accomplishments from all sources of funds.

2/ Data represents accomplishments from borrowers financed 20% or more by REA, RTB, and guaranteed loans.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$622,050,000 in direct electric loans from the RETRF (\$622,050,000 estimated in 1988).

Need for change. REA program goals are largely accomplished. Today 99 percent of farms have reliable electrical service. The existing program is very costly. It has provided \$50 billion in life-of-loan subsidies since 1973. Almost all REA borrowers can borrow in private credit markets to meet their capital needs. The return would have minimal effect on the rates charged to their customers--about a 1 percent increase in annual bills by 1993 for the average consumers.

Nature of change. REA borrowers can obtain financing from REA guarantees of 70 percent of privately originated electric distribution loans. (See proposed legislation page 11-10.)

- (2) A decrease of \$813,450,000 in electric direct loans, FFB (\$813,450,000 estimated in 1988).

Need for change. This decrease will reduce Federal involvement in general credit activities and shift borrowers to the private sector.

Nature of change. The level of REA electric direct loans, FFB, is reduced to reflect the administration proposal to guarantee 80 percent of private-sector loans for power supply. (See proposed legislation page 11-10.)

- (3) A decrease of \$239,250,000 in direct telephone loans from the RETRF (\$239,250,000 estimated in 1988).

Need for change. The goals of the telephone program are largely accomplished. Today 96 percent of farms have telephone service. The level of REA telephone direct loans, RETRF, is reduced to reflect the administration's proposal to shift to a guarantee of private-sector loans with a 70 percent REA guarantee. (See proposed legislation page 11-10.)

Nature of change. REA borrowers can obtain financing from REA guarantees of 70 percent of privately originated loans. REA telephone borrowers are very healthy financially, with equity to asset ratios in excess of 30 percent. Net profit for these borrowers has more than doubled since 1980. Many of the borrowers are subsidiaries of major telecommunication holding companies which are well established and have excellent credit ratings. (See proposed legislation.)

- (4) A decrease of \$119,625,000 in telephone direct loans, FFB (\$119,625,000 estimated in 1988).

Need for change. This decrease will reduce Federal involvement in general credit activities and shift borrowers to obtaining credit from the private sector.

Nature of change. The level of REA telephone direct loans, FFB, is reduced to reflect the administration's proposal to shift to a guarantee of private-sector loans with a 70 percent REA guarantee. (See proposed legislation.)

RURAL ELECTRIFICATION TELEPHONE REVOLVING FUND -
PROPOSED LEGISLATION

Budget Estimate, Current Law, 1989	--
Changes due to proposed legislation.....	+\$1,318,955,000
President's 1989 Budget Request.....	<u>1,318,955,000</u>

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	<u>Current Law</u>	<u>1989 Program Changes</u>	<u>President's Request</u>
Rural Electrification Program:			
Direct loans, RETRF	--	--	--
Direct loans, FFB	--	--	--
Guaranteed private-sector loans	--	+\$1,218,955,000	\$1,218,955,000
Total	--	<u>+1,218,955,000</u>	<u>1,218,955,000</u>
Rural Telephone Program:			
Direct loans, RETRF	--	--	--
Direct loans, FFB	--	--	--
Guaranteed private-sector loans	--	+100,000,000	100,000,000
Total	--	<u>+100,000,000</u>	<u>100,000,000</u>
Total, loans	--	<u>+1,318,955,000</u>	<u>1,318,955,000</u>

EXPLANATION OF PROPOSED LEGISLATION

The Rural Electrification Administration has been providing a 100 percent guarantee of FFB loans to electric and telephone borrowers. This proposal would replace REA direct loans and REA guarantees of FFB loans with REA guarantees of private-sector loans. REA guarantee commitment would be reduced to 70 percent of electric distribution and telephone loans which is commensurate with current loan activity; e.g., 30 percent private participation is required on direct loans. REA would guarantee 80 percent of power supply loans.

This proposal would provide REA borrowers access to private-sector credit sources through guarantees and permit the Government to reduce its involvement as a direct source of credit. Borrowers largely serving urban/suburban areas would be eliminated from the programs as well as telephone borrowers who are subsidiaries of larger telephone holding companies. No guaranteed loans for the purpose of expanding or providing electric or telephone service to predominately recreational areas would be made. Legislation will also be proposed to repeal the cushion of credit program contained in section 1403 of the Budget Reconciliation Act of 1987.

In addition, the Budget includes two proposals for prepayment programs in which borrowers use private capital to prepay direct 2/5 percent loans at a discount determined by the REA Administrator, providing that these borrowers do not return for further financial assistance; and premium-free prepayment of FFB loans guaranteed by REA at 80 percent of principal and interest. Borrowers that prepay their FFB loans are eligible for future REA guarantees of principal and interest of privately originated loans.

CREDIT REFORM - Loan Subsidies

Budget Estimate, Current Law, 1989.....	--
Changes due to credit reform	+\$80,680,000
President's 1989 Budget Request	<u>80,680,000</u>

SUMMARY OF INCREASES AND DECREASES - CREDIT REFORM

<u>Item of Change</u>	1989		<u>President's Request</u>
	<u>Current Law</u>	<u>Program Changes</u>	
Budget Authority	<u>--</u>	<u>+\$80,680,000</u>	<u>\$80,680,000</u>

EXPLANATION OF CREDIT REFORM

The Administration Credit Reform proposal includes a request for appropriations for the subsidy costs of guaranteed loans as the REA program will continue to provide subsidized credit to borrowers.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of REA Electrification and
Telephone Loans by State, Fiscal Year 1987

<u>DIRECT LOANS</u>	<u>ELECTRIC</u>		<u>TELEPHONE</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
UNITED STATES	169	\$628,389,661	57	\$229,787,000
Alabama	5	11,058,000	1	1,517,000
Alaska	1	11,342,000	2	15,541,000
Arizona	1	1,404,000		
Arkansas	1	1,664,000	2	7,751,000
California	1	2,435,000		
Colorado	3	12,424,000	2	7,708,000
Florida	4	15,286,000		
Georgia	14	59,049,000	2	4,088,000
Idaho	2	6,673,000	1	389,000
Illinois	4	11,207,000	2	4,627,000
Indiana	2	10,474,000	1	764,000
Iowa	6	6,446,000	3	1,829,000
Kansas	6	14,743,000	2	7,925,000
Louisiana	1	10,161,000	1	9,339,000
Maine	2	1,654,000		
Michigan	2	3,754,000	2	1,316,000
Minnesota	15	38,538,000	5	7,425,000
Mississippi	9	59,245,000		
Missouri	11	36,172,000	3	12,364,000
Montana	3	3,535,000	2	8,295,000
Nebraska			2	3,710,000
New Hampshire	1	23,714,000	1	2,500,000
New Jersey	1	1,637,000		
New Mexico	2	4,774,000	2	12,109,000
New York	2	3,043,000		
North Carolina	4	14,039,000	2	10,783,000
North Dakota	6	15,697,000	1	5,672,000
Ohio	1	816,000	1	815,000
Oklahoma	6	25,057,000	3	11,957,000
Oregon	2	2,360,000		
Pennsylvania	1	2,652,000		
South Carolina	10	56,150,000		
South Dakota	6	10,940,000	3	4,613,000
Tennessee	2	5,696,000	2	12,250,000
Texas	18	108,873,661	7	14,700,000
Utah	2	8,657,000		
Vermont	1	1,353,000		
Virginia	3	10,605,000		
Washington	2	1,898,000		
Wisconsin	4	6,529,000		
Wyoming	2	6,635,000		
Micronesia			1	41,000,000
Marshall Islands			1	18,800,000
<u>GUARANTEED LOANS</u>	<u>ELECTRIC</u>		<u>TELEPHONE</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
UNITED STATES	6	\$174,710,000	--	--
Mississippi	1	8,812,000		
Missouri	2	36,763,000		
Texas	3	129,135,000		

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets; new material underscored):

[Reimbursement to the Rural Electrification and Telephone Revolving Fund]

[For an additional amount to reimburse the rural electrification and telephone revolving fund for interest subsidies and losses sustained in prior years, but not previously reimbursed in carrying out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b)), \$327,675,000.]

The change deletes the language authorizing reimbursement to the Rural Electrification and Telephone Revolving Fund for interest subsidies and losses. Since no appropriation is requested in fiscal year 1989, retention of the language is unnecessary.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION AGRICULTURE
RURAL ELECTRIC AND TELEPHONE REVOLVING FUND

Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1988.....	\$327,675,000
Budget Estimate, 1989.....	--
Decrease in Appropriation.....	<u><u>-327,675,000</u></u>

PROJECT STATEMENT
(on Basis of Appropriation)
(In Thousands of Dollars)

Project	: 1987 : : Actual :	: 1988 : : Estimated :	: Decrease :	: 1989 : : Estimated :
Reimbursement to	:	:	:	:
the revolving fund :	:	:	:	:
for interest subsi-:	:	:	:	:
dies and losses ...:	<u>\$20,000,000</u>	<u>\$327,675,000</u>	<u>:-\$327,675,000</u>	<u>--</u>

EXPLANATION OF PROGRAM

This account reimburses the Rural Electrification and Telephone Revolving Fund for interest subsidies and losses resulting from defaults incurred by the revolving fund. No appropriation is requested for fiscal year 1989. The appropriation is not warranted since the fund is exempt from paying Treasury the interest owed on advances totaling \$7.9 billion. This cost has been absorbed by the Treasury.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Telephone Bank

- The Rural Telephone Bank is hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to such corporation in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by Section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out its authorized programs for the current
- 1 fiscal year. During [1988] 1989, and within the resources and authority available, gross obligations for the principal amount of direct loans
 - 2 shall be not [less than \$177,045,000 nor] more than [\$210,540,000] \$177,045,000.

The first change updates the fiscal year designation of the limitation on new loans for this program established as a part of the Federal Credit Controls.

The second change eliminates the range for the loan program and establishes the maximum loan program at \$177,045,000.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

RURAL TELEPHONE BANK - CURRENT LAW

	<u>Loan Authorization</u>	
Appropriation Act, 1988.....	\$177,045,000	
Budget Estimate, 1989	<u>177,045,000</u>	
Change	<u> --</u>	
		<u>Other Authorizations (Borrowing Authority) a/</u>
	<u>Estimated Obligations</u>	
Appropriation Act, 1988	\$246,772,000	--
Budget Estimate, 1989 ...	248,270,000	\$129,890,000
Change	<u>+ 1,498,000</u>	<u>+129,890,000</u>

a/ Reflects estimated borrowing authority encumbered.

SUMMARY OF INCREASES AND DECREASES
(On basis of obligations)

	<u>1988 Estimate</u>	<u>Program Changes</u>	<u>1989 Estimate</u>
Operating Cost:			
Administrative expenses	\$75,000	+\$6,646,000	\$6,721,000
Interest expenses.....	69,401,000	-5,148,000	64,253,000
Dividends.....	251,000	--	251,000
Loan authority.....	177,045,000	--	177,045,000
Total available	<u>246,772,000</u>	<u>+1,498,000</u>	<u>248,270,000</u>

PROJECT STATEMENT - CURRENT LAW
(On basis of obligations)

	1987	1988	Increase or	1989
	Actual	Estimate	Decrease	Estimated
1. Operating Costs:				
(a) Administrative				
Expense.....	\$110,986:	\$75,000:	+\$6,646,000(1):	\$6,721,000
(b) Interest expense.	70,779,434:	69,401,000:	-5,148,000(2):	64,253,000
2. Dividends.....	147,050:	251,000:	--	251,000
3. Loans.....	185,115,000:	177,045,000:	--	177,045,000
Total obligations.....	<u>256,152,470:</u>	<u>246,772,000:</u>	<u>+1,498,000</u>	<u>248,270,000</u>

EXPLANATION OF RURAL TELEPHONE BANK PROGRAM

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing the Rural Telephone Program. The act, as amended, permits the Secretary of the Treasury to purchase the Bank's debentures. This reduces RTB borrower costs. Public Law 93-32, approved May 11, 1973, further amended the Act to increase the Bank's borrowing authority from eight to twenty times its paid-in-capital and retained earnings. The Bank charges an interim rate from date of advance until the end of the fiscal year of the average yield on outstanding marketable obligations of the United States with comparable maturity of the approved advance. After the first year, a complex formula for computing the Bank's lending rate applies, but not less than five percent per annum. Recent changes to the statute reduce the interest rate to just over 5 percent when the Treasury rate is 9 percent.

Borrowing Authority

Equity capital of the Bank consists of Class A stock, bearing a 2 percent dividend, purchased by the United States; Class B and C stock purchased by Bank borrowers, organizations eligible to become borrowers, organizations controlled by borrowers; and retained earnings. The maximum borrowing authority of the Bank is limited to 20 times its paid-in-capital and retained earnings. Fiscal Year 1988 total borrowing authority available to the Bank is estimated at \$14.9 billion, comprised of \$1.3 billion in new borrowing authority and \$13.6 billion in unobligated authority brought forward. In 1989, available borrowing authority is calculated at \$15.3 billion, consisting of \$.4 billion in new borrowing authority and \$14.9 billion in authority that was obligated in prior years.

Highlights of Operation

The Rural Telephone Bank made 41 loans totaling \$185,115,000 in fiscal year 1987 at a weighted average interest rate of 6.81 percent. Since its inception the Bank has made loans totaling \$2,392,178,866 to 605 borrowers, at a weighted average interest rate of 8.12 percent.

The Bank's net income from October 1, 1986, to September 30, 1987, amounted to \$42,418,597, after making provision for a return of \$9,398,741 on Class A stock held by the government, a balance of \$33,019,856 was available for patronage refunds, dividends, and retained earnings. Assets of the Bank totaled \$1,531,653,719 as of September 30, 1987, and liabilities \$776,343,171. The Bank has invested some of the proceeds from the sale of Class B and C stock in United States securities; interest on these investments amounted to \$58,059.

Program Statistics
(Dollars in thousands)

	<u>FY 1987</u> <u>Actual</u>	<u>FY 1988</u> <u>Estimate</u>	<u>FY 1989</u> <u>Estimate</u>
Cumulative net loans.....	\$2,392,179	\$2,569,224	\$2,746,269
Cumulative loan funds, advanced.....	1,599,921	1,706,221	1,838,721
Unadvanced loan funds, end of year...	792,258	863,003	907,548
Cumulative principal repaid.....	153,319	404,458	423,979
Cumulative interest paid.....	867,524	977,585	1,079,881
Number of borrowers.....	605	620	630

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$6,646,000 for administrative expense (\$75,000 available in 1988).

Need for Change. To reimburse the REA Salaries and Expenses appropriation for administrative support provided to the Rural Telephone Bank which has been provided at no cost.

Nature of Change. Incidental administrative expenses, such as expenses of the elected members of the Board of Directors, postage fees, and the audit by the General Accounting Office, totaling \$108,000, are paid by the Bank. Administrative support for the general operations of the Bank by REA employees and the Office of the General Counsel have been provided without charge in previous years. Beginning in fiscal year 1989, the Bank will pay \$6,613,000 for its share of administrative support provided by the Agency so that the Bank can begin to take necessary steps to achieve privatization by 1995.

- (2) A decrease of \$5,148,000 in interest payments to Treasury by the Rural Telephone Bank. (\$69,401,000 available in 1988).

Need for Change. This reduction is possible because of the provision in the Budget Reconciliation Act of 1987 which allows Rural Telephone Bank borrowers to prepay their Bank loans without paying the prepayment premium. An estimated \$230 million in prepayments in fiscal year 1988 will allow the Bank to repay approximately \$138 million in Treasury borrowings.

Nature of Change. The Bank's cumulative debenture borrowings will be reduced in fiscal year 1988 from \$758.8 million to \$620.4 million. The reduction in the outstanding debt will decrease annual interest obligations to the Treasury.

RURAL TELEPHONE BANK - PROPOSED LEGISLATIONEXPLANATION OF PROPOSED LEGISLATION

The Budget Reconciliation Act of 1987 provided that Rural Telephone Bank borrowers may prepay Bank loans at face value without the prepayment penalties, by September 30, 1988. Legislation will be proposed to allow Bank borrowers to continue prepaying their loans without penalty, provided that these borrowers will no longer be eligible for future lending assistance from REA or the RTB.

The legislation will also include the repeal of Section 1412 of the Budget Reconciliation Act of 1987 regarding interest rates to be considered for purposes of assessing eligibility for loans and the repeal of Section 1413 of the Budget Reconciliation Act of 1987 relating to the establishment of a reserve for losses due to interest rate fluctuations and the disallowance of any other reserves. This is necessary to allow the RTB to achieve privatization by 1995 as the authorizing statute directs.

CREDIT REFORM - Loan Subsidies

Budget Estimate, Current Law, 1989	--
Changes due to credit reform	+\$26,920,000
President's 1989 Budget Request	<u>26,920,000</u>

SUMMARY OF INCREASES AND DECREASES - CREDIT REFORM

<u>Item of Change</u>	<u>1989</u>	
	<u>Current Law</u>	<u>Program Changes</u>
Budget Authority	<u>--</u>	<u>+\$26,920,000</u>
		<u>\$26,920,000</u>

EXPLANATION OF CREDIT REFORM

Under the proposed legislation for Federal Credit Reform, the Federal Credit Revolving Fund in the Treasury Department will finance the market value of new Federal direct loans obligated in fiscal year 1989. The Fund will make disbursements for new Rural Telephone Bank loans. REA will continue to collect borrowers' repayments of principal and interest on loans. However, the collections will be credited directly to the Federal Credit Revolving Fund. The Credit Reform proposal also includes a request for an appropriation for the subsidy costs of loans made by the Rural Telephone Bank.

RURAL TELEPHONE BANK
Budget Authority, Obligations and Balances
(Dollars in thousands)

	<u>FY 1987 Actual</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>
Budget Authority:			
Borrowing Authority (P&F Schedule).....	<u>\$79,838</u>	<u>--</u>	<u>\$129,890</u>
New Budget Authority.....	79,838	--	129,890
Other Funds Available.....	185,713	\$395,282	128,499
Less: Return on Class A stock....	-9,399	-10,119	-10,119
Debt Redemption	<u>--</u>	<u>-138,391</u>	<u>--</u>
Total budgetary resources.....	<u>256,152</u>	<u>246,772</u>	<u>248,270</u>
Obligations:			
Loans approved.....	185,115	177,045	177,045
Expenses and C stock dividends..	<u>71,037</u>	<u>69,727</u>	<u>71,225</u>
Total.....	<u>256,152</u>	<u>246,772</u>	<u>248,270</u>

Borrowing Authority
(Dollars in thousands)

	<u>FY 1987 Actual</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>
Available start of year.....	\$12,380,739	\$13,627,988	\$14,918,288
Increase 1/.....	1,311,580	1,290,300	539,260
Encumbered.....	-79,838	--	-129,890
Recovery of Prior Obligations	15,507	--	--
Available end of year.....	<u>13,627,988</u>	<u>14,918,288</u>	<u>15,327,658</u>

1/ Computed in accordance with Section 407 of the Rural Electrification Act of 1936, as amended:

A Stock.....	\$28,710	\$28,710	--
B Stock.....	17,040	35,805	\$26,963
C Stock.....	47	--	--
Retained earnings.....	19,782	--	--
Total.....	<u>65,579</u>	<u>64,515</u>	<u>26,963</u>
Statutory borrowing authority rate.....	<u>X20</u>	<u>X20</u>	<u>X20</u>
Maximum borrowing authority during period.....	<u>1,311,580</u>	<u>1,290,300</u>	<u>539,260</u>

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of Rural Telephone Bank
Loans by State, Fiscal Year 1987

	<u>No.</u>	<u>Amount</u>
UNITED STATES	41	\$185,115,000
Alabama	1	4,952,850
Alaska	2	16,837,800
Arkansas	1	709,800
Georgia	2	2,060,100
Illinois	1	157,500
Indiana	1	1,232,700
Iowa	3	3,622,500
Louisiana	1	5,090,400
Maine	2	6,247,500
Massachusetts	1	519,750
Michigan	2	5,855,850
Minnesota	1	642,600
Mississippi	1	1,411,200
Nebraska	2	7,365,750
New Hampshire	1	456,750
New York	3	5,050,500
North Carolina	4	25,445,700
Oklahoma	2	5,527,200
South Carolina	3	61,199,250
Texas	3	17,375,400
Vermont	1	309,750
Virginia	1	5,208,000
Wisconsin	2	7,836,150

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Purchase of Rural Telephone Bank Capital Stock

[For the purchase of Class A stock of the Rural Telephone Bank,
\$28,710,000, to remain available until expended (7 U.S.C. 901-950 (b)).]

The change deletes the language authorizing purchase of capital stock. Since no appropriation is requested in fiscal year 1989 for purchase of Class A stock, retention of the language is unnecessary.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
RURAL TELEPHONE BANK

Purchase of Rural Telephone Bank Stock

Appropriation Act, 1988.....	\$28,710,000
Budget Estimate, 1989.....	--
Decrease in appropriation.....	<u><u>-28,710,000</u></u>

SUMMARY OF INCREASES AND DECREASES

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Change</u>	<u>1989 Estimated</u>
Purchase of Capital			
Stock	<u>\$28,710,000</u>	<u>-\$28,710,000</u>	<u> --</u>

Project Statement
(on Basis of Appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Decrease</u>	<u>1989 Estimated</u>
Purchase of Capital				
Stock	<u>\$28,710,000</u>	<u>\$28,710,000</u>	<u>-\$28,710,000</u>	<u> --</u>

EXPLANATION OF PROGRAM

The Rural Electrification Act of 1936, as amended, authorizes appropriations for the purchase of Class A stock in the Rural Telephone Bank by the U.S. Government. This account funds the purchase of Class A stock of the Rural Telephone Bank. The Federal Government has already provided \$506 million in low cost capital to the Bank - \$206 million over the \$300 million in capital called for in the original statute establishing the Bank; therefore, no appropriation is requested in fiscal year 1989. Since 1973 the Treasury purchases of Class A Stock have cost the taxpayer over \$200 million because the stock returns only a 2 percent dividend while Treasury costs are far higher.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$28,710,000 for the purchase of capital stock.

Need for Change. This account funds the purchase of Class A stock of the Rural Telephone Bank, providing capital to the Bank with a 2 percent rate of return. The Federal Government has already provided \$506 million in capital to the Bank. Under proposed legislation the funds are to be repaid starting in 1995. The Bank has the authority to raise funds in private credit markets on its capital base. It is authorized to borrow virtually without limitation from the U.S. Treasury until 1995.

Nature of Change. No appropriation is requested for fiscal year 1989 for the purchase of capital stock.

RURAL ELECTRIFICATION ADMINISTRATION

The estimate includes appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Communication Development Fund:

To reimburse the Rural Communication Development Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in making Community Antenna Television loans and loan guarantees under Sections 306 and 310B of the Consolidated Farm and Rural Development Act, as amended, [\$1,309,000] \$1,447,000.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
RURAL COMMUNICATION DEVELOPMENT FUND

	<u>Estimated Obligations for Interest Expense</u>	<u>Appropriation</u>
<u>Community Antenna Television:</u>		
<u>Interest:</u>		
Appropriation Act, 1988	\$2,646,000	\$1,309,000
Budget Estimate, 1989	<u>2,684,000</u>	<u>1,447,000</u>
Change	<u>+38,000</u>	<u>+138,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of authorizations)

	<u>1988 Estimated</u>	<u>Change</u>	<u>1989 Estimated</u>
Community Antenna Television:			
Appropriation for losses	<u>\$1,309,000</u>	<u>+\$138,000</u>	<u>\$1,447,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

<u>Project</u>	<u>: 1987 Actual</u>	<u>: 1988 Estimated</u>	<u>: Increase</u>	<u>: 1989 Estimated</u>
Appropriation for	:	:	:	:
losses	<u>\$1,591,000</u>	<u>\$1,309,000</u>	<u>+\$138,000</u>	<u>\$1,447,000</u>

An appropriation is requested in fiscal year 1989 to cover the losses of the fund in fiscal year 1987.

PROJECT STATEMENT
(On basis of actual or estimated obligations for interest expense)

<u>Project</u>	<u>: 1987 Actual</u>	<u>: 1988 Estimated</u>	<u>: Increase</u>	<u>: 1989 Estimated</u>
Interest expense:	<u>\$2,639,000</u>	<u>\$2,646,000</u>	<u>+\$38,000</u>	<u>\$2,684,000</u>

EXPLANATION OF PROGRAM

The 1989 Budget does not propose to fund this program since sufficient funding is available in the private sector. REA will continue to administer the program and funding will be required to cover the losses of the fund.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$138,000 for reimbursement for losses to the Rural Communication Development Fund (\$1,309,000 estimated in 1988).

Need for Change. To reimburse the fund for operating losses sustained in fiscal year 1987.

Nature of Change. An appropriation of \$1,447,000 is requested in fiscal year 1989 for losses of the fund in fiscal year 1987.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

SALARIES AND EXPENSES

- For administrative expenses to carry out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b)), and to administer the loan and loan guarantee programs for Community Antenna Television facilities as authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 - 1995) and for which commitments were made prior to fiscal year [1988],
- 1 1989 including not to exceed \$7,000 for financial credit reports, funds for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$103,000 for employment under 5 U.S.C. 3109, [\$30,713,000]
- 2 \$22,137,000.

[OFFICE OF THE ADMINISTRATOR]

- [For necessary salaries and expenses of the Office of the Administrator of the Rural Electrification Administration, \$155,000; provided, that no other funds in this act shall be
- 3 available for this office.]

The first change updates the fiscal year designation.

The second change updates the fiscal year appropriation which includes funds for the Office of the Administrator.

The third change deletes the provisions in P.L. 100-202, Making Continuing Appropriations for Fiscal Year 1988, authorizing a separate appropriation for Office of the Administrator, since funds are requested in the Salaries and Expenses appropriation in Fiscal Year 1989.

SALARIES AND EXPENSES

	<u>Appropriation</u>	<u>Reimbursement from RTB</u>	<u>Total</u>
Appropriation Act, 1988:			
Salaries and Expenses	\$30,713,000	--	\$30,713,000
Office of the Administrator	155,000	--	155,000
Total, Appropriations, 1988 ...	<u>30,868,000</u>	<u>--</u>	<u>30,868,000</u>
Budget Estimate, 1989	22,137,000	\$6,613,000	28,750,000
Decrease in Appropriation	<u>-8,731,000</u>	<u>6,613,000</u>	<u>-2,118,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

	<u>1988 Estimate</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimate</u>	
Administration of					
Loan Programs	<u>\$30,868,000</u>	<u>+\$416,000</u>	<u>-\$2,534,000</u>	<u>\$28,750,000</u>	a/

a/ Includes the amount of \$6,613,000 to be reimbursed by the Rural Telephone Bank for its share of administrative expenses and Office of the Administrator Salaries and Expenses.

PROJECT STATEMENT

	: 1987 Actual	: 1988 Estimated	: 1989 Estimated	
Project	: Amount	: Staff: Amount : Staff:	: Amount : Staff:	: Decrease : Amount : Staff:
1. Administration of rural	:	:	:	:
electrification program:	:	:	:	:
(a) Lending and Management:	:	:	:	:
Activities	\$7,598,241: 148	\$8,756,007 a/: 155	-\$637,984: \$8,118,023: 141	
(b) Engineering Activities:	6,932,723: 135	7,912,713 : 142	-505,736: 7,406,977: 129	
Total administration of	:	:	:	:
electrification program:	14,530,964: 283	16,668,720 : 297	-1,143,720: 15,525,000: 270	
2. Administration of rural	:	:	:	:
telephone program:	:	:	:	:
(a) Lending and Management:	:	:	:	:
Activities	7,025,882: 137	8,090,341 a/: 144	-583,831: 7,506,510: 131	
(b) Engineering Activities:	5,352,346: 104	6,108,939 : 109	-390,449: 5,718,490: 99	
Total administration of	:	:	:	:
telephone program ...	12,378,228: 241	14,199,280 : 253	-974,280: 13,225,000: 230	
Unobligated balance	2,537,808: --	-- : --	-- : --	--
Total appropriated or	:	:	:	:
estimated	29,447,000: 524	30,868,000 : 550	-2,118,000: 28,750,000: 500	
Reimbursement for	:	:	:	:
administration of Rural	:	:	:	:
Telephone Bank	:	:	:-6,613,000: -115	
Total available or estimated	:	:	22,137,000: 385	

a/ Includes salaries and expenses for Office of the Administrator of \$155,000.

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Rural Electrification Administration funds the activities authorized by the Rural Electrification Act, as amended. The Act authorizes REA to provide to qualified electric and telephone organizations capital through insured loans and guarantees of loans by other lenders for electric and telephone service in rural areas comparable in reliability and quality to the service provided the rest of the nation. In addition to administering programs for making loans, assurance of feasibility and adequate security and collections on loans, the REA staff furnishes management and technical assistance to borrowers for the purpose of protecting the Government's loan security, to assure that construction and operation of borrowers' systems conform to approved standards, and that the electric and telephone systems continue providing reliable service on an area coverage basis.

Applications, Loans, and Requisitions for Advances

(Dollars in thousands)

	<u>Actual</u>		<u>Estimated</u>		<u>Estimated</u>		
	<u>Fiscal Year 1987</u>		<u>Fiscal Year 1988</u>		<u>Fiscal Year 1989</u>		
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	
<u>Electric Program</u>							
Applications received	187	\$1,386,344	260	\$1,740,000	--	--	b/
Insured loans approved	169	628,390	158	622,050	--	--	<u>b/</u>
Loan guarantee commitments, FFB.....	6	174,710	4	813,450	--	--	<u>b/</u>
Non-REA loans without guarantee <u>a/</u>	180	410,073	108	400,000	--	--	
Applications on hand, end of year.....	73	736,525	63	641,025	--	--	<u>b/</u>
Advances processed (Insured Loans).....	987	590,703	990	607,000	910	\$545,000	
<u>Telephone Program</u>							
Applications received ..	81	322,413	120	478,000	--	--	b/
Insured loans approved	57	229,787	70	239,250	--	--	<u>b/</u>
RTB loans approved	41	185,115	51	177,048	40	177,045	
Loan guarantee commitments, FFB.....	--	--	1	66,000	--	--	<u>b/</u>
Applications on hand, completed -	17	38,839	15	34,544	--	--	
Advances processed -							
REA borrowers.....	530	161,363	675	203,000	715	215,000	
RTB borrowers.....	113	52,029	230	106,300	285	132,500	

a/ Includes concurrent non-REA loans made in conjunction with REA insured electric loans.

b/ Legislation will be proposed to finance this activity with private sector loans with a 70 percent REA guarantee of \$1,018,955,000 in electric distribution loan guarantees, \$100,000,000 in telephone loan guarantees and an 80 percent REA guarantee of \$200,000,000 power supply loans. REA will continue to review applications prior to providing a guarantee and provide management, technical, and engineering assistance to the borrowers.

JUSTIFICATION OF INCREASES AND DECREASES

A decrease of \$2,118,000 for Salaries and Expenses consisting of:

- (1) An increase of \$416,000 to annualize 1988 pay costs and to restore pay costs absorbed in 1988.
- (2) A decrease of \$2,534,000 for administration of rural electrification, rural telephone and community antenna television loan programs (\$30,868,000 available in 1988).

Need for Change A decrease of \$2,534,000 associated with a reduction in staff years to the level necessary to administer the loan programs at the anticipated levels.

Nature of Change The budget will permit the agency to continue the operation of the rural electric and telephone programs at the levels anticipated. Sufficient funds would be available to furnish the management and technical assistance to borrowers to protect the Government's loan security and to assure that all borrowers continue to provide reliable service. Salaries and Expenses for the Office of the Administrator are included in the 1989 Administration of Loan Program Estimate. A decrease of \$6,613,000 in appropriated funds is due to the reimbursement from the Rural Telephone Bank for its share of REA Salaries and Expenses.

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation created February 16, 1938 (7 U.S.C. 1501). The program was amended by P. L. 96-365, approved September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance program. The purpose of the Corporation is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

The Federal Crop Insurance Corporation is charged with providing an actuarially sound cost-sharing insurance program for agricultural producers to protect against production losses due to unavoidable causes. The expanding crop insurance program constitutes a joint effort by the private insurance industry, both reinsured companies and sales and service contractors.

Major Activities

The Federal Crop Insurance Program comprises the following major activities:

(1) Underwriting, Actuarial, and Program Development which consists of the development of crop insurance programs and the establishment and maintenance of rates and coverages for crops in each county; (2) Reinsured Companies which consist of private insurance companies reinsured by FCIC which market and fully service (including loss adjustment and claims processing) policies of crop insurance and are at risk on such policies; (3) Agency Sales and Service Agreements and Loss Adjustment consists of contracting with private insurance entities which market crop insurance and provide limited service but are not at risk. (These entities are commonly known as Master Marketers). This activity also includes contracting with independent claims adjusters who perform loss adjustment for insureds holding FCIC policies, developing claims procedures; (4) Program Administration, which consists of Compliance and Quality Control of reinsured and FCIC program service operations, administering Reinsurance Agreements and Agency Sales and Service Agreements, and development of strategies for increased participation in the crop insurance program; (5) Program Management and Administrative Support, includes Board of Directors, Manager's Office and other staff offices reporting directly to the Manager's Office, as well as personnel management, finance and accounting, and support services.

The 1988 crop insurance program will operate in over 3,000 counties, approximately \$6.25 billion of insurance coverage will be provided on almonds, apples, barley, dry beans, C&P beans, citrus, citrus trees, corn, cotton, ELS cotton, cranberries, figs, flax, forage production, forage seeding, grain sorghum, grapes, table grapes, hybrid seed, (corn & grain sorghum), macadamia nuts, macadamia trees, nursery stock, oats, onions, peaches, peanuts, peas (green and dry), peppers, popcorn, potatoes, prevented planting, prunes, raisins, rice, rye, safflowers, soybeans, stonefruit, (CA only - apricots, nectarines and peaches), sugar beets, sugarcane, sunflowers, C&F sweet corn, fresh market sweet corn, tobacco, C&P tomatoes, fresh market tomatoes, walnuts and wheat. It is estimated that about 50 million acres will be insured for the 1988 crop year. A Prevented Planting option will be offered for ASCS program crops only which consists of barley, corn, cotton, grain sorghum, oats, rice and wheat.

General Administration

The various crop insurance programs are planned, developed, and monitored by the FCIC headquarters office located in Washington, D.C. and its national operations office located in Kansas City, Missouri. The program is administered in the field through 18 field operations offices and 11 field underwriting offices. Selling and servicing at the county level is performed primarily by agents operating for agency sales and service contractors (master marketing agreements) and agents of reinsured companies. The adjustment of losses is performed by reinsured companies for their policies and by loss adjusters under contract with FCIC for FCIC policies sold by master marketers. Also, ASCS provides some support on a reimbursable basis for the Corporation.

The Kansas City, Missouri office processes all insurance documents (except those of the reinsured companies), records detailed accounting and statistical data, and prepares the required accounting, statistical, and management reports for business from all sources. This function is essentially automated. FCIC is currently engaged in the development and implementation of an automated system of distributive processing for Master Marketers' insurance documents.

As of September 30, 1987, there were 1,025 total employees with 672 permanent full-time and 353 other employees. Of the total employees, 92 permanent full-time and 1 other were located in the Washington, D.C. office.

A summary of changes in capital for fiscal year 1987, and estimates for fiscal years 1988 and 1989 follow:

	F.Y. 1937 Actual	F.Y. 1988 Estimate	F.Y. 1989 Estimate
Net capital at beginning of year...	\$178,931,912	\$371,796,799	\$310,670,087
Additions to Capital:			
Appropriation (Premium Subsidy)...	135,743,000	228,523,000	112,000,000
CCC Transfers (Grant--1987).....	300,000,000	-0-	100,000,000
Deductions from Capital:			
Repaid Treas. Borr (\$113 M).....	-0-	-0-	-0-
Subtotal.....	<u>614,674,912</u>	<u>600,319,799</u>	<u>522,570,037</u>
Income:			
Insurance Prem. (farmer) MIA.....	58,942,680	53,750,000	67,500,000
Net Reinsurance (incl. P.R.).....	263,238,016	254,250,288	268,500,000
Prior year adj.--Reinsurance.....	862,736	-0-	-0-
Interest and Other Income.....	9,637,473	-0-	-0-
Misc. Income from Reinsurance.....	15,596	-0-	-0-
Subtotal, Income.....	<u>331,796,501</u>	<u>318,000,288</u>	<u>336,000,000</u>
Expenses:			
Government Indemnities.....	87,698,526	116,400,000	130,850,000
Prior Year Adjustments.....	557,863	-0-	-0-
Net Reinsurance losses (incl. P.R.)	461,281,720	439,975,000	523,400,000
Prior Yr. Adj-Reins. (incl. P.R. & 5 yr. gain share).....	3,135,147	-0-	-0-
Debt. Cancellations and Write-off.	18,156,647	1,275,000	1,350,000
Reinsurance Premium Deferral Exp..	922,720	-0-	-0-
Prior year and other Adjustments..	1,339,896	-0-	-0-
Prior yr. Agents' Commissions Adj.	1,532,095	-0-	-0-
Int. on Treas Borrowing (\$113 M)..	-0-	-0-	5,650,000
Interest on CCC Borrowing.....	-0-	-0-	5,000,000
Subtotal, Expenses.....	<u>574,674,614</u>	<u>607,650,000</u>	<u>566,250,000</u>
Net Income or Loss for the year.....	<u>-242,878,113</u>	<u>-289,649,712</u>	<u>-330,250,000</u>
Net Capital at end-of-year.....	<u>371,796,799</u>	<u>310,670,087</u>	<u>192,420,087</u>
Analysis of Capital:			
Capital Stock:			
Authorized.....	500,000,000	500,000,000	500,000,000
Unissued.....	-0-	-0-	-0-
Issued.....	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Treasury Borrowing.....	113,000,000	113,000,000	113,000,000
Paid-in-Capital:			
Paid-in-surplus.....	37,978,470	37,978,470	37,978,470
CCC Transfers (Grants/Loans).....	750,000,000	750,000,000	850,000,000
Approp. (premium subsidy).....	638,081,000	865,604,000	978,604,000
Approp. (agents' comms.).....	47,909,000	47,909,000	47,909,000
Approp. (loss adjustment).....	4,632,000	4,632,000	4,632,000
Cum surplus(+)/deficit(-).....	<u>-1,719,803,671</u>	<u>-2,009,453,383</u>	<u>-2,339,703,383</u>
Net capital at end of period.....	<u>371,796,799</u>	<u>310,670,087</u>	<u>192,420,087</u>

FEDERAL CROP INSURANCE CORPORATION

Available Funds and Staff-Years
1987 Actual and Estimated 1988 and 1989

	1987 Actual	1988 Estimated	1989 Estimated
	Amount	Staff-Years	Staff-Years
Administrative and Operating Expenses..	\$209,568,000	934	\$217,970,000 375
Borrowing Authority..	300,000,000	---	100,000,000 ---
FCIC Fund:		a/	
Premium Subsidy.....	135,743,000	---	112,000,000 ---
Total, Agriculture Appropriation.....	645,311,000	984	429,970,000 875

Full-Time Equivalent Staff-Years:	1987 Actual	1988 Estimated	1989 Estimated
Ceiling.....	979	905	865
Non-ceiling.....	5	10	10
Total.....	984	915	875

a/ In fiscal year 1986 the FCIC followed requirements of the GAO that the Corporation conform to Financial Accounting Standards Board Transmittal No. 60 (FASB 60). Under FASB 60, the Corporation would no longer defer premium subsidy appropriations until the subsequent year as had been the practice in past years. The Corporation would match revenues and expenses in the period in which they are earned; therefore, fiscal year 1988 represented a catch-up year for premium subsidy appropriation which included all of crop year 1987 (\$129,245,000 based on an estimated premium level of \$500 million) as well as 75 percent of crop year 1988 (\$99,278,000 based on an estimated premium level of \$512 million).

FEDERAL CROP INSURANCE CORPORATION

Permanent Positions by Grade and Staff-Year Summary
1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	0	1	1	0	1	1	0	1
ES-4	1	0	1	1	0	1	1	0	1
ES-3	0	1	1	0	1	1	0	1	1
GS/GM-15	4	5	9	4	5	9	4	5	9
GS/GM-14	14	11	25	14	11	25	14	11	25
GS/GM-13	35	55	90	35	55	90	35	55	90
GS-12	40	150	190	40	150	190	40	150	190
GS-11	35	132	167	35	132	167	35	132	167
GS-10	1	0	1	1	0	1	1	0	1
GS-9	18	26	44	18	26	44	18	26	44
GS-8	3	10	13	3	10	13	3	10	13
GS-7	26	37	63	26	37	63	26	37	63
GS-6	9	34	43	9	34	43	9	34	43
GS-5	14	61	75	14	61	75	14	61	75
GS-4	9	27	36	9	27	36	9	27	36
GS-3	1	0	1	1	0	1	1	0	1
Total Permanent Positions:	211	549	760	211	549	760	211	549	760
Total Staff-Years:									
Ceiling.....	74	905	979	120	785	905	120	745	865
Non-Ceiling.....	1	4	5	2	8	10	2	8	10
TOTAL.....	75	909	984	122	793	915	122	753	875

FEDERAL CROP INSURANCE CORPORATION
CLASSIFICATION BY OBJECTS
1987 and Estimated 1988 and 1989

Administrative and Operating Expenses	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters (including K.C., Mo., Headquarters) a/.....	\$ 4,750,707	\$ 4,427,800	\$ 4,271,100
Field.....	<u>21,642,109</u>	<u>20,171,300</u>	<u>19,457,100</u>
11 Total Personnel Compensation.....	25,392,816	24,599,100	23,728,200
12 Personnel Benefits.....	3,969,908	5,705,500	5,550,900
13 Benefits for Former Personnel....	<u>150,969</u>	<u>1,370,000</u>	<u>824,000</u>
Total Personnel Compensation and Benefits.....	<u>30,513,693</u>	<u>31,674,600</u>	<u>30,103,100</u>
Other Objects:			
21 Travel.....	3,252,265	4,977,500	5,841,800
22 Transportation of Things.....	427,933	452,500	494,300
23 Communications, Utilities, and Other Rent.....	2,919,720	2,696,300	3,594,900
24 Printing and Reproduction.....	728,638	769,300	898,700
25 Other Services.....	9,700,275	8,425,200	8,944,100
25 Other Contracts (APH, OAP, etc.)	-0-	-0-	-0-
25 ASCS Agreement.....	3,241,761	2,925,400	2,556,400
25 Reinsurance Admin Expenses.....	97,147,560	123,300,000	137,525,900
25 Agents' Commissions--MIA'S.....	12,699,575	16,200,000	18,598,100
25 Loss adjustment contracting.....	6,143,239	5,320,000	6,797,700
26 Supplies and Materials.....	739,581	769,200	1,073,500
31 Equipment.....	2,300,318	1,905,000	1,348,100
42 Insurance Claims and Indemnities.....	36,249	40,000	41,600
43 Interest and dividends.....	<u>43,209</u>	<u>45,000</u>	<u>46,800</u>
Total, Other Objects.....	<u>139,380,323</u>	<u>168,325,400</u>	<u>187,866,900</u>
Total Direct Obligations.....	<u>169,894,016</u>	<u>200,000,000</u>	<u>217,970,000</u>
Position Data:			
Average Salary, ES positions	\$72,133	\$73,576	\$73,576
Average Salary, GS/GM positions	\$26,652	\$27,240	\$27,240
Average Grade, GS/GM positions	9.73	9.75	9.75

a/ Headquarters includes all Washington, D.C. employees, and Kansas City, Missouri, employees in Support Services, Personnel, and Finance.

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Administrative and Operating Expenses:

For administrative and operating expenses, as authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1516), [~~\$200,000,000~~] \$217,970,000:
Provided, That not to exceed \$700 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

ADMINISTRATIVE AND OPERATING EXPENSES

Appropriation Act, 1933.....	\$200,000,000
Budget Estimate, 1989.....	217,970,000
Increase in Appropriation.....	<u>+17,970,000</u>

SUMMARY OF INCREASES AND DECREASES
(On Basis of Appropriation)

Item of Change	1933 Estimated	Pay Cost	Program Changes	1989 Estimated
Underwriting, Actuarial and Program Development...	\$ 10,633,000	+\$101,000	+\$407,000	\$ 11,145,000
Reinsured Companies.....	125,185,000	+14,000	+14,385,000	139,585,000
Agency Sales and Service Agreements and Loss Adjustment Contracts.....	46,792,000	+193,000	+1,962,000	48,952,000
Program Administration.....	3,130,000	+23,000	+190,000	3,348,000
Program Management and Administrative Support....	14,254,000	+35,000	+600,000	14,939,000
Total Available.....	200,000,000	a/ 426,000	+17,544,000	217,970,000

a/ Includes an increase of \$426,000 for pay increases effective in fiscal year 1938.

PROJECT STATEMENT
(On Basis of Appropriation)

	1937 Actual		1933 (Est.)			1989 (Est.)	
	Amount	SY	Amount	SY	Increase	Amount	SY
1. Underwriting, Actuarial and Program Development...	\$13,357,250	209	\$10,638,000	217	+\$508,000	\$11,146,000	212
2. Reinsured companies.....	98,716,106	23	125,186,000	23	+14,399,000	139,535,000	27
3. Agency Sales & Service Agreement & Loss Adjust. Contr.:	42,494,934	522	46,792,000	426	+2,160,000	48,952,000	393
4. Program Administration.....	2,050,436	32	3,130,000	60	+218,000	3,348,000	59
5. Program Management & Administrative Sup.:	13,275,290	193	14,254,000	133	+685,000	14,939,000	179
Unobligated balance.....	39,673,934	0	-0-	0	-0-	-0-	0
Total appropriation.....	209,563,000	984	200,000,000	915	+17,970,000	217,970,000	875

EXPLANATION OF PROGRAM

The appropriation, "Administrative and Operating Expenses," of the Federal Crop Insurance Corporation, funds the activities authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501-1520).

The Corporation's long-term objective is to provide the maximum number of farm producers with crop insurance coverage, on an actuarially sound basis, as protection against risks and economic losses resulting from uncontrollable natural hazards.

The fiscal year 1989 appropriation request for administrative and operating expenses will enable the Corporation to provide for some growth in the expanded crop insurance program that will provide farmer participation at about 23 percent of the potentially insurable acreage. The current program provides a subsidy to those insured equal to about 25 percent of the premium. The major portion of administrative and operating expenses is to provide for the program delivery systems which will be accomplished through the use of the private sector as provided by the Federal Crop Insurance Act under Section 507(c). The delivery systems are:

(1) Reinsured companies provide insurance marketing, underwriting, servicing, training, quality control, statistical processing and reporting, and loss adjustment functions. As risk-bearers, the companies also share with FCIC in both profits and losses. It is estimated that reinsured companies will handle insurance sales amounting to about 80 percent of the premium during crop year 1989.

(2) Agency Sales and Service Agreements (Master Marketing Agreement) under this type of agreement, private insurance companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and services. They are compensated on a commission basis. It is estimated that for crop year 1989, about 20 percent of the premium will be handled under this delivery system.

(3) Existing ASCS Offices will provide FCIC information, support, collect data, assist FCIC in establishing farm yields, and upon request for FCIC, will sell and service all-risk crop insurance in existing county offices where an adequate private sales and service force is unavailable.

The activities carried out by the Corporation are as follows:

Underwriting, Actuarial and Program Development covers the underwriting function which makes determinations with respect to establishment of insurance coverages and premium rates for different farming practices (summer fallow, continuous cropping, irrigation, etc.) in each county. Also, in each county, insurance coverages and premium rates are broken down by yield groups to reflect variation in productivity and in risk of loss. Crop insurance coverages must be established and maintained for each crop in each county.

Field underwriters review and recommend revision of local rates each year to refine the actuarial structure. In addition, new programs are researched and developed, and existing ones are reviewed for improvement of contract provisions and proposals.

Reinsured Companies - Reinsurance and expenses reimbursement enables the reinsured companies to provide the insurance marketing, underwriting, servicing, training, quality control, statistical processing reporting, and loss adjustment functions. The companies also share with FCIC in both profits and losses.

Agency Sales and Service Agreements and Loss Adjustment Contracts - Under Agency Sales and Service Agreements, companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and limited services for policies written by FCIC. For these policies, the loss adjustment work is performed by adjusters under contract with FCIC.

Program Administration - This activity consists of reviews of the activities of the reinsured companies, master marketers and FCIC loss adjusters, to assure compliance and uniformity in loss adjustment procedures, training development, quality control methods utilized. Also responsible for the administration of the Reinsurance Agreements and Agency Sales and Service Agreements and developing strategies for increased participation in the crop insurance program.

Program Management and Administrative Support - This activity includes all management and administrative support functions in both Washington, D.C. and Kansas City, Missouri. Included are the following functions; administrative support functions of finance, budget, management services, and personnel management for the Corporation.

The following table summarizes the planned level of crop insurance operations for crop years 1987, 1988, and 1989:

	Crop Year 1987	Crop Year 1988	Crop Year 1989
Premiums (000).....	\$375,000	\$425,000	\$450,000
Government Operations.....	(\$50,000)	(\$35,000)	(\$90,000)
Reinsurance Operations a/.	(\$315,000)	(\$340,000)	(\$360,000)
Premium Subsidy included above (000).....	\$30,354	\$105,250	\$112,500
Insurance in Force (000)....	\$6,250,000	\$7,225,000	\$7,650,000
Insured Acres (000).....	50,000	57,800	61,200
Counties.....	3,014	3,018	3,018
County Programs.....	19,250	19,400	19,600

a/ Includes amounts that will appear on the books of the reinsured companies. The Corporation's records will only reflect the net reinsurance income and net reinsurance losses.

The following table indicates the premium levels by delivery system for crop years 1988 and 1989:

Delivery Mode	Crop Year 1988	Crop Year 1989	Increase
Reinsured Companies.....	(In Thousands of Dollars)		
Percent of Total.....	340,000	360,000	+20,000
	80%	80%	
Master Marketing Agreements.....	85,000	90,000	+ 5,000
Percent of Total.....	20%	20%	
Total Premium.....	425,000	450,000	+25,000

OIG Reports

#05099-4-SF RE: Audit of FCIC Raisin Losses in California (1983-1984). Complete/Closed 6-23-86.

#05099-7-Te RE: Audit of Indemnity Payments for 1983 Soybean Losses in Arkansas and Louisiana. Complete/Closed 4-1-86.

#05099-29-KC RE: Survey of Payments Made Through the Miscellaneous Payment System. Complete/Closed 9-15-86.

#05099-1-FM RE: Use of Automated Data Processing (ADP) Technical Service Contracts. Fast Report 5-9-85. Not Issued.

#50099-29-HY RE: Audit of Office of Information Resources Management and Agencies Forms Programs. Complete/Closed 10-1-86.

#05530-3-FM RE: Implementation of ACF2 by FCIC. Closed 11-10-86.

#50658-1-FM RE: Agency Compliance with IRS Form 1099 Filing Requirements. Complete/Closed 11-3-86.

GAO Reports

#50658-4-FM RE: Compliance with IRS Form 1099 Reporting Requirements to FCIC. Closed 2-26-87.

#50659-1-CH RE: Oversight of Program Operations Through the use of CPA's. Complete/Closed 8-18-86.

#05099-10-Te RE: Survey of Indemnity Payment to Producers in Arkansas. Closed 7-29-87.

#05608-2(1)-Te RE: Reinsurance Operations, Lowndes County, MS. Draft Fast Report. Open 1-19-88.

#05607-1-FM RE: Audit of Compliance with the Prompt Payment Act in the Crop Insurance Program. Closed 1-9-87.

#05607-2-FM RE: Audit of Crop Reinsurance Program Funds (funding of underwriting gains/losses). Closed 11-6-86.

#05099-22-FM RE: FCIC Actuarial Practices and Procedures. (6 recommendations - 4 resolved, 2 closed). Incomplete/Open 1-19-88.

#05607-2-FM RE: FCIC Crop Reinsurance Program Funds, Washington, D.C. (1 recommendation; resolved). Incomplete/Open 1-19-88.

#05608-2-Te RE: Crop Insurance Operations. Incomplete/Open 1-19-88.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$508,000 in the Administrative and Operating Expenses for underwriting, actuarial, and program development (\$10,638,000 available in fiscal year 1988), consisting of:

- (a) A net increase of \$36,000 in the actuarial and underwriting activities to develop yield verification and quality control on new as well as existing programs.
- (b) An increase of \$371,000 for non-discretionary increases (increased operating costs estimated at 3.3 percent of all non-salary costs).
- (c) An increase of \$101,000 to annualize 1988 pay costs absorbed in 1988.

Need for change. During fiscal year 1989, it is assumed that the underwriting, actuarial, and program development functions will be performed in over 3,000 counties covering approximately 19,600 county programs. Maintain APH related contracting activities for the compilation of 10-year production statistics and establishment of yield guarantees for crop insurance policies.

Nature of change. The fiscal year 1989 level provides for a slight increase in the number of county crop programs from 19,400 in fiscal year 1988 to 19,600 in fiscal year 1989.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1988 and 1989:

Function	1988		1989		Change 1989 over 1988	
	: Staff:		: Staff:		: Staff:	
	: Years:	Cost	: Years:	Cost	: Years:	Cost
1. Actuarial analysis & program development.....	78	\$ 5,082,000	76	\$ 5,277,000	-2	+\$195,000
2. Field underwriting.....	139	5,556,000	136	5,397,000	-3	-159,000
3. Non-Discretionary Increase.....	0	-0-	0	371,000	0	+371,000
4. Other (pay cost).....	0	-0-		101,000	0	+101,000
Total.....	217	10,638,000	212	11,146,000	-5	+508,000

(2) An increase of \$14,399,000 in the Administrative and Operating Expenses for reinsured companies (\$125,136,000 available in 1988), consisting of:

- (a) An increase of \$9,151,000 is due to additional reinsurance administrative expense reimbursement necessary for the increased premium to be handled by the reinsured companies.
- (b) An increase of \$5,257,000 for non-discretionary non-salary costs estimated at 3.3 percent offset by a slight decrease in other program areas.

- (c) An increase of \$14,000 to annualize 1988 pay costs absorbed in 1988.

Need for Change. The expanding nationwide crop insurance program will require more reinsurance administrative expenses for the higher premium levels in fiscal year 1989 than was required in fiscal year 1988. Total premium is expected to increase from \$425.0 million in fiscal year 1988 to \$450.0 million in fiscal year 1989. The reinsured company premium sales are projected to increase from \$340.0 million in 1988 to \$360.0 million in 1989 for about 80 percent of the total premium.

Nature of Change. This activity primarily funds the administrative expense reimbursement to reinsured companies. During fiscal year 1989, the reinsured companies will handle over 49 million of the total 61 million insured acres, and will provide the farmers with over \$6.1 billion of crop insurance protection.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1988 and 1989:

Function	1988		1989		Change 1989 over 1988	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Reinsurance	:	:	:	:	:	:
Administrative	:	:	:	:	:	:
Expenses.....	0	\$123,329,000	0	\$132,480,000	0	+\$9,151,000
2. Other (Prog. Adm)...	29	1,857,000	27	1,834,000	-2	-23,000
3. Non-Discretionary	:	:	:	:	:	:
Increase.....	0	-0-	0	5,257,000	0	+5,257,000
4. Other (Pay Cost)...	0	-0-	0	14,000	0	+14,000
Total.....	29	\$125,186,000	27	\$139,535,000	-2	+\$14,399,000

- (3) An increase of \$2,160,000 in the Administrative and Operating Expenses for agency sales and service agreements and loss adjustment contracts (\$46,792,000 available in 1988), consisting of:

- (a) An increase of \$1,700,000 for the additional amount required for commissions based on an increase in premiums estimated to be handled under the Agency Sales and Service Agreement. Includes \$2,460,000 for ASCS agreement in 1989 (\$2,925,000 in 1988).
- (b) An increase of \$723,000 for the additional amount required for loss adjustment contracting due to increased premium level.
- (c) A decrease of \$1,139,000 in general administration under this activity due largely to a decrease in ASCS National Agreement and reduced staffing level.
- (d) An increase of \$193,000 to annualize 1988 pay costs absorbed in 1988.
- (e) An increase of \$678,000 for non-discretionary increases (increased operating costs estimated at 3.3 percent of all non-salary costs.)

Need for Change. An increase of funds will be required in this activity in fiscal year 1989 due mainly to the projected increase in premium volume to be handled under Agency Sales and Service Agreement and Loss Adjustment Contracting.

Nature of Change. Since this activity funds administrative expenses directly related to the master marketing delivery system (Agency Sales and Service Agreements), and due to the increase in the funding level of business to be handled by master marketers, the required funding level for this activity will be a net increase of \$2,160,000 over that required in fiscal year 1988.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1988 and 1989:

Function	1988		1989		Change 1989 over 1988	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Agency Sales and Service Agreements (MIA's)....	0	\$16,200,000	0	\$17,900,000	0	+\$1,700,000
2. Loss adjustment contracts.....	0	5,820,000	0	6,543,000	0	+723,000
3. Field Operations....	312	12,236,000	287	11,535,000	-25	-501,000
4. ASCS Agreement.....	0	2,925,000	0	2,460,000	0	-465,000
5. Other (Prog. Admin):	114	9,611,000	111	9,538,000	-3	-73,000
6. Other (Pay Cost)....	0	-0-	0	198,000		+198,000
7. Non-Discretionary Increase.....	0	-0-	0	678,000	0	+678,000
Total.....	426	46,792,000	398	48,952,000	-28	+2,160,000

(4) An increase of \$218,000 in the Administrative and Operating Expenses for Program Administration (\$3,130,000 available in 1988).

(a) An increase of \$28,000 to annualize 1988 pay costs absorbed in 1988.

(b) An increase of \$174,000 for non-discretionary increases (increased operating costs estimated at 3.3 percent of all non-salary costs).

Need for Change. An increase of \$16,000 in this area is due to a slight increase in the compliance area.

Nature of Change. This activity funds all compliance functions, which consists of reviews of the activities of the reinsured companies, master marketers, and FCIC loss adjustment contractors to assure compliance and uniformity in loss adjustment procedures, training development, quality control methods utilized, and also covers the administration of the Reinsurance Agreements and Agency Sales and Service Agreements and developing strategies for increased participation in the crop insurance program.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1988 and 1989:

Function	1988		1989		Change 1989 over 1988	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Program Admini-	:	:	:	:	:	:
stration.....	60	\$3,130,000	59	\$3,146,000	-1	+16,000
2. Other (Pay Cost)...	0	-0-	0	28,000	0	+28,000
3. Non-Discretionary	:	:	:	:	:	:
Increases.....	0	-0-	0	174,000	0	+174,000
Total.....	60	3,130,000	59	3,348,000	-1	+218,000

5. An increase of \$685,000 in the Administrative and Operating Expenses for program management and administrative support (\$14,254,000 available in 1988), consisting of:

- (a) An increase of \$14,000 for services provided by other USDA agencies.
- (b) An increase of \$13,000 for services provided by the Kansas City Computer Center.
- (c) An increase of \$85,000 to annualize 1988 pay costs absorbed in 1988.
- (d) An increase of \$573,000 for non-discretionary increases (increased operation costs estimated at 3.3 percent of all non-salary costs).

Need for Change. This activity has remained relatively stable from fiscal year 1988 to fiscal year 1989.

Nature of Change. This activity primarily funds all management and administrative support functions in both Washington, D.C. and Kansas City, Missouri. Included are the following functions; administrative support in finance, budget, management services, and personnel management for the Corporation.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1988 and 1989:

Function	1988		1989		Change 1989 over 1988	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Headquarters.....	131	\$10,281,000	128	\$10,295,000	-3	+\$ 14,000
2. Kansas City.....	52	3,973,000	51	3,986,000	-1	+13,000
3. Other (Pay Cost)...	0	-0-	0	85,000		+85,000
4. Non-Discretionary	:	:	:	:	:	:
Increase.....	0	-0-	0	573,000	0	+573,000
Total.....	183	14,254,000	179	14,939,000	-4	+685,000

UNITED STATES DEPARTMENT OF AGRICULTURE

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1987 Actual and Estimated 1988 and 1989

AGENCY: FEDERAL CROP INSURANCE CORPORATION

LOCATION	1987 Actual		1988 Estimated		1989 Estimated	
Appropriation Financial Project	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Administrative and Operating Expenses:						
ALABAMA.....	\$ 3,042,709	15	\$ 3,581,891	13	\$3,903,794	12
ALASKA.....	5,675	0	6,680	0	7,281	0
ARIZONA.....	272,618	2	202,029	2	220,181	2
ARKANSAS.....	3,193,007	7	3,758,822	6	4,096,553	6
CALIFORNIA.....	6,853,063	25	8,067,457	22	8,792,318	21
COLORADO.....	2,420,599	16	2,849,658	13	2,849,658	12
CONNECTICUT.....	75,842	1	89,281	1	97,303	1
DELAWARE.....	170,695	3	200,942	2	218,997	2
DISTRICT OF COLUMBIA..	9,120,246	169	10,736,395	177	11,701,060	169
FLORIDA.....	3,917,695	22	4,611,928	18	5,026,309	17
GEORGIA.....	5,485,993	15	6,458,136	14	7,038,399	13
IDAHO.....	1,185,116	10	1,395,124	9	1,520,476	9
ILLINOIS.....	6,269,586	26	7,380,585	21	8,043,731	20
INDIANA.....	3,646,521	16	4,292,701	14	4,678,400	13
IOWA.....	13,451,305	26	15,834,937	22	17,257,706	21
KANSAS.....	6,434,764	22	7,575,033	19	8,255,650	18
KENTUCKY.....	2,497,465	21	2,940,028	17	3,204,189	16
LOUISIANA.....	2,908,469	7	3,423,853	5	3,731,497	5
MAINE.....	463,119	7	545,186	5	594,171	5
MARYLAND.....	182,940	2	215,358	2	234,797	2
MASSACHUSETTS.....	70,112	1	82,537	1	89,953	1
MICHIGAN.....	830,322	3	978,047	2	1,065,925	2
MINNESOTA.....	8,481,859	34	9,984,882	28	10,882,024	27
MISSISSIPPI.....	3,280,789	10	3,862,159	8	4,209,174	9
MISSOURI.....	22,193,315	266	26,244,962	275	28,859,048	263
MONTANA.....	8,562,570	30	10,079,896	25	10,985,575	24
NEBRASKA.....	10,448,406	26	12,299,911	22	13,405,058	21
NEVADA.....	4,132	0	4,864	0	5,301	0
NEW HAMPSHIRE.....	1,418	0	1,670	0	1,820	0
NEW JERSEY.....	207,774	3	244,593	2	266,569	2
NEW MEXICO.....	313,562	2	369,127	2	402,293	2
NEW YORK.....	135,371	1	159,359	1	173,677	1
NORTH CAROLINA.....	5,957,875	32	7,013,638	27	7,643,913	26
NORTH DAKOTA.....	9,853,510	30	11,599,597	25	12,641,820	25
OHIO.....	1,639,375	10	1,929,880	8	2,103,280	8
OKLAHOMA.....	2,392,587	15	2,816,564	13	3,069,632	12
OREGON.....	524,793	2	617,789	1	673,297	1
PENNSYLVANIA.....	352,469	5	414,928	4	452,210	4
RHODE ISLAND.....	15,810	0	18,612	0	20,284	0
SOUTH CAROLINA.....	2,082,363	9	2,451,367	8	2,671,622	8
SOUTH DAKOTA.....	2,791,907	15	3,286,646	13	3,581,951	12
TENNESSEE.....	775,885	6	913,376	5	995,442	5
TEXAS.....	11,483,891	34	13,518,888	29	14,733,550	28
UTAH.....	143,909	1	169,410	1	184,632	1
VERMONT.....	55,580	1	65,430	1	71,308	1
VIRGINIA.....	1,375,663	12	2,208,044	10	2,406,437	10
WASHINGTON.....	2,634,777	16	3,160,532	14	3,444,505	13
WEST VIRGINIA.....	80,972	1	95,321	1	103,886	1
WISCONSIN.....	683,722	4	804,881	3	877,199	3
WYOMING.....	371,266	3	437,056	2	476,325	2
TOTAL ADMINISTRATIVE & OPERATING EXPENSES	\$169,894,016	984	\$200,000,000	915	\$217,970,000	875

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Crop Insurance Corporation Fund

For payments as authorized by section 508(b) of the Federal Crop Insurance Act, as amended, [\$228,523,000] \$112,000,000.

FEDERAL CROP INSURANCE CORPORATION FUND

Appropriation Act, 1983.....	\$228,523,000
Budget Estimate, Current Law, 1989.....	112,000,000
Decrease in Appropriation.....	<u>-116,523,000</u>

SUMMARY OF INCREASES AND DECREASES
(On Basis of Appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Premium Subsidy.....	\$228,523,000	-\$116,523,000	\$112,000,000

PROJECT STATEMENT
(On Basis of Appropriation)

	<u>1987 Actual</u>		<u>1988 (Est.)</u>			<u>1989 (Est.)</u>	
	<u>Amount</u>	<u>SY</u>	<u>Amount</u>	<u>SY</u>	<u>Decrease</u>	<u>Amount</u>	<u>SY</u>
FCIC FUND:							
Premium							
Subsidy.....	\$135,743,000	0	\$228,523,000	0	-\$116,523,000	\$112,000,000	0
Total, FCIC							
Fund.....	135,743,000	0	228,523,000	0	-116,523,000	112,000,000	0

Explanation of Program

The Federal Crop Insurance Act of 1930, as amended, authorizes the payment of up to 30 percent of the adjusted insurance premium of each producer participating in the program. Subsidies will be paid by the Corporation based upon 30 percent of the risk premium (reduced, where applicable, for hail and fire exclusion) on any coverage under the Corporation's policy of insurance of up to a maximum of 65 percent of the recorded or appraised yield, and encourage the broadest possible participation of agricultural producers in the program.

Beginning in fiscal year 1986 the FCIC followed requirements of the GAO that the Corporation conform to Financial Accounting Standards Board Transmittal No. 60 (FASB 60). Under FASB 60, the Corporation would match revenues and expenses in the period in which they are earned. For example, fiscal year 1987 would consist of mostly crop year 1987 income and expenses but would include some crop year 1986 and adjustments in prior crop years. Therefore, for purposes of this presentation, fiscal year 1987 will pertain to crop year 1987.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of -\$116,523,000 for premium subsidy (\$228,523,000 available in fiscal year 1988).

Need for change. The Federal Crop Insurance Act, as amended, authorizes the Corporation to subsidize producers' premiums. The purpose of the subsidy is to encourage the broadest possible participation of farm producers in the crop insurance program.

Nature of Change. This appropriation will provide funding to cover the premium subsidy at a rate of 25 percent for fiscal year 1989 at a premium level of \$450 million. Beginning in fiscal year 1986 the FCIC followed requirements of the GAO that the Corporation conform to Financial Accounting Standards Board Transmittal No. 60 (FASB 60). Under FASB 60, the Corporation would match revenues and expenses in the period in which they are earned. For example, fiscal year 1987 would consist of mostly crop year 1987 income and expenses but would include some crop year 1986 and adjustments in prior crop years. Therefore, for purposes of this presentation, fiscal year 1987 will pertain to crop year 1987.

UNITED STATES DEPARTMENT OF AGRICULTURE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1987 Actual and estimated 1988 and 1989

AGENCY: FEDERAL CROP INSURANCE CORPORATION

LOCATION	1987 Actual		1988 Estimated		1989 Estimated	
	-----		-----		-----	
Appropriation		Staff-		Staff-		Staff-
Financial Project	Amount	Years	Amount	Years	Amount	Years
UNDISTRIBUTED						
Federal Crop Insurance						
Crop Insurance Fund:						
Premium Subsidy.....	\$135,743,000	-0-	\$228,523,000	-0-	\$112,000,000	-0-
All other.....	438,932,000	-0-	379,127,000	-0-	554,250,000	-0-
TOTAL, FCIC FUND..	\$574,675,000	-0-	\$607,650,000	-0-	\$666,250,000	-0-

* Because of the unpredictability of the location of sales and losses, it is impractical to estimate the State cost distribution at this time.

FARMERS HOME ADMINISTRATION

Purpose Statement

The Farmers Home Administration was established November 1, 1946, by the Farmers Home Administration Act of 1946. Farmers Home Administration's program activities include:

FARMER PROGRAMS:

Farm ownership loans - are made to borrowers who are or will be owner operators of a not larger than family-size farm and who cannot obtain credit elsewhere to improve or acquire farms, refinance debts, finance non-farm enterprises, or make additions to farms. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than 5 percent per year and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The applicable interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and borrower.

Operating loans - provide short-to-intermediate term production or chattel credit to farmers who are or will be the operators of a not larger than family-size farm and who cannot obtain credit elsewhere. Loan terms include a repayment period not to exceed 7 years but may be rescheduled for up to 15 additional years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest at a rate 3 percent below the cost-of-money and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and borrower.

Emergency disaster loans - are made to farmers in counties declared as emergency disaster areas or in contiguous counties to restore production. A farmer who cannot get credit elsewhere is eligible for an actual loss loan of up to \$500,000 per disaster at a rate of 4.5 percent.

Soil and water loans - are made to farmers, ranchers and non-operator owners for land and water development, use, and conservation. Loans are repayable in not more than 40 years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Indian tribe land acquisition loans - are made to qualified Indian tribes or tribal corporations to acquire land or interest in land within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior. The interest rate is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government except for those tribes that are unable to pay the higher rate currently may be charged a lower interest rate. Loans are repayable in not more than 40 years.

HOUSING PROGRAMS:

Section 502 - Subsidized housing loans - are made to repair or purchase new or existing housing in order to provide very low-income and low-income rural residents who cannot obtain credit elsewhere, with a modest, safe, and sanitary single family dwelling at rates and terms they are able to afford. Families are eligible who meet certain criteria and could qualify for interest credit which reduces the effective interest rate for the borrower to as low as 1 percent. Loans are repayable normally over 33 years, or 38 years under certain conditions. Not less than 40 percent of the funding authorized nationally is to be set aside for very low-income families or persons, and not less than 30 percent of the funding allocated to each State is to be available for very low-income families or persons.

Section 502 - Nonsubsidized housing loans - are made to finance equity and make repairs in connection with transfers, repairs and renovation to existing borrower dwellings, and repairs to suitable inventory dwellings in connection with credit sales. This credit is made available to those who cannot obtain credit elsewhere. The interest rate is based on Treasury's cost-of-money. The term for repayment is normally 33 years.

Section 515 - Rural rental and cooperative housing loans - are made to individuals, corporations, associations, State or local public agencies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly persons and other persons of low and very low-income or moderate-income in rural areas. These loans are repayable in not more than 50 years, and the interest rate to the borrower is based on Treasury's cost-of-money with provisions for interest reductions under normal circumstances based on tenant income. These loans, with the exception of loans to State or local public agencies, are made only if the need for necessary housing cannot be met with financial assistance from other sources.

Section 521 - Rural rental assistance payments - are made to owners of FmHA financed rental projects in order to make housing affordable to very low-income occupants at rates commensurate to their incomes. Rental rates to tenants are not to exceed the higher of (1) 30 percent of the monthly adjusted income, (2) 10 percent of monthly income, or (3) the portion of the welfare assistance payments specifically designated for housing costs in the case of a person or a family receiving such assistance.

Section 504 - Very low-income housing repair grants - are made to very low-income persons to make necessary repairs to their dwellings in order to make them safe or remove health hazards to the families or the community. Recipients must be 62 years of age or older or handicapped or disabled and unable to repay a loan. These grants carry a lifetime assistance limitation of \$5,000 per recipient.

Section 504 - Very low-income housing repair loans - are made to very low-income persons to repair or improve their dwellings in order to make them safe or sanitary or to remove health hazards to the families or the community. Loans are made at a 1 percent interest rate for not more than 20 years to very low-income persons, and they carry a lifetime assistance limit for loans or combination of loans and grants of not to exceed \$7,500.

Section 514 - Rural housing for domestic farm labor loans - are made to farm owners, to public or private nonprofit organizations, or to nonprofit organizations of farm workers to provide modest living quarters, basic household furnishings, and related facilities for farm workers. The loans are repayable in not more than 33 years and bear interest not in excess of 1 percent, except under certain circumstances. The interest rate limitation may be waived by the Secretary in favor of a Treasury cost-of-money based interest rate in order to provide needed housing and related facilities for migrant domestic farm laborers if sponsoring farm owners have substantial assets but are unwilling to secure private financing to provide the needed housing. Loans to organizations may be made simultaneously with farm labor housing grants and are made only if the necessary housing cannot be provided with financial assistance from other sources.

Section 516 - Rural housing for domestic farm labor grants - are made to public or broad-based private nonprofit organizations, States or political subdivisions, or nonprofit organizations of domestic farm workers. Grant assistance, not to exceed 90 percent of the total development costs, is provided for new construction or rehabilitation of existing buildings suitable for dwelling use by domestic farm labor. Funds also may be used for essential related facilities such as dining halls, community rooms or buildings, infirmaries, or other essential services, including basic household furnishings. These grants may be made simultaneously with domestic farm labor housing loans.

Section 524 - Rural housing site loans - are made for purchase and development of land to be subdivided into building sites and sold on a nonprofit basis to low-income and moderate-income families or to organizations for rental or cooperative housing. Insured loans are made for a 2-year period at an interest rate based on Treasury's cost-of-money.

Section 523 - Mutual and self-help housing grants - are especially designed to aid the development of mutual or self-help housing programs under which groups of families build their own homes by mutually exchanging labor. Grants are used to provide technical and supervisory assistance to families who build their homes by the self-help method.

Section 509 - Compensation for construction defects - payments are made to eligible Section 502 borrowers to pay for making structural repairs on newly constructed dwellings built or purchased as approved by the Agency. The assistance must be requested by the owner of the property within 18 months after the loan is closed or final construction inspection is made. Claims will not be paid until provisions under the builder's warranty have been fully pursued.

Section 533 - Housing preservation grants - are made to eligible nonprofit private groups, Indian tribes, or Government agencies for the rehabilitation of single family housing owned by low-income and very low-income families.

Self-help housing land development fund - provides qualified public or private non-profit organizations with financing for the acquisition and development of building sites for houses to be constructed by the self-help method. Loans are made for a 2-year period at an interest rate not to exceed 3 percent.

COMMUNITY PROGRAMS:

Community facility loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations and to certain Indian tribes for essential community facilities including necessary related equipment. Loans are repayable in not more than 40 years. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median house-hold income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income. Loan recipients also have their choice between the interest rate in effect at the time of loan approval or loan closing. An additional 2 percent is added to the interest rate if projects are built on prime farmland, unless the borrower is a public body and there are no suitable optional sites.

Water and waste disposal loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for development, replacement, or upgrading of water systems and waste disposal systems. These loans are repayable in not more than 40 years. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income of the service area falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income.

Water and waste disposal grants - are authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for development, storage, treatment, purification, and distribution of water or the collection, treatment, or disposal of waste in rural areas. Grants are used for water and waste disposal projects servicing the most financially needy communities to reduce user costs to a reasonable level for farmers, ranchers, and other rural residents. Grants may be made to communities that have a median household income below the poverty line or not more than 85 percent of the State's nonmetropolitan median household income. Grant rates are based on a graduated scale providing higher rates for projects in communities that have lower community population and income levels but may not exceed 75 percent of the development costs of the project. In addition, P.L. 99-198, the Food Security Act of 1985, provided that not less than 1 percent nor more than 2 percent of the water and waste disposal grant funds appropriated each year be made available for technical assistance and training of eligible grantee associations.

Business and industrial loans - are guaranteed loans authorized to be made to public, private, or cooperative associations organized for profit or nonprofit, to certain Indian tribes or tribal groups, corporate entities, or to individuals for the purpose of improving, developing, or financing business, industry, and employment, and improving the economic and environmental climate in rural communities. These guaranteed loans are made at rates agreed upon by the borrower and lender with a maturity of 7, 15, or 30 years depending on the collateral offered, and a maximum of \$10 million (\$20 million for alcohol fuels production loans) per loan.

Rural Development Loan Fund - loans are to be made to intermediary borrowers (i.e., small investment groups, rural towns, etc.) who, in turn, will relend the funds to rural businesses, community development corporations, private nonprofit organizations and others for the purpose of stimulating innovative business and entrepreneurial practices and improving the economic climate in rural areas.

Watershed works of improvement and flood prevention loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for installing, repairing, or improving watersheds and water storage facilities, purchasing sites or rights-of-way, and related costs. These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. Total loans outstanding on any one project may not exceed \$10 million.

Resource conservation and development loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for planned conservation measures and works of improvement as specified in approved work plans. These loans are repayable in not more than 30 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

Other rural development grants - are provided from funds transferred from the Appalachian Regional Commission and other Federal organizations for cooperative efforts in rural development. The funded projects focus on basic needed facilities essential to the region's growth and economic development.

General - In fiscal year 1987, the budgeted lending programs were comprised of insured and guaranteed loans. The term "insured" is defined as loans made from the revolving funds, which are held in a pool as security for certificates of beneficial ownership that are sold to investors. Presently, all certificates of beneficial ownership are being sold to the Federal Financing Bank. The purchaser's investment is fully insured by the Government against any loss of either principal or interest. Generally, no insured loan is made to anyone who can secure adequate credit from other sources at reasonable rates and terms. The Rural Development Act of 1972 authorized financial assistance to be provided to borrowers by guaranteeing loans made by a Federal or State chartered bank, savings and loan association, cooperative lending agency, or approved lending institution.

The term "guarantee" is defined as "to guarantee the payment of a loss on a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary." Technical guidance in planning and carrying out sound operations is provided to borrowers on the basis of their individual problems and needs.

As of September 30, 1987, FmHA's portfolio was in excess of 1.6 million loans with principal indebtedness of about \$65 billion. FmHA administers its programs through the Washington Headquarters, 46 State Offices, a National Finance Office in St. Louis, Missouri, and approximately 2,200 district and county offices utilizing the services of about 3,000 supervisors and 5,000 local committeemen. As of September 30, 1987, there were 15,180 FmHA employees, of which 11,110 were full-time employees in permanent positions. Of these, 523 PFT and 30 others were based in Washington and 10,587 PFT and 4,040 others were in the field.

Available Funds and Staff Years, 1987 and Estimated 1988 and 1989

(Note: The following table reflects appropriations and transfers from other agencies.)

Item	1987 Actual		1988 Estimated		1989 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Farmers Home Administration						
Rural Housing insurance						
fund:						
Reimbursement for						
interest subsidies and			b/			
losses.....	2,296,283,000:	--:	2,964,249,000:	--:	3,660,061,000:	--
Rural rental assistance						
reimbursement.....	137,340,517:	--:	160,357,000:	--:	204,428,000:	--
Subtotal, rural						
housing insurance						
fund	2,433,623,517:	--:	3,124,606,000:	--:	3,864,489,000:	--
Agricultural credit						
insurance fund:						
Reimbursement for						
interest subsidies and	a/		b/			
losses..	1,723,403,000:	--:	3,627,153,000:	--:	3,467,596,000:	--
Rural development insurance						
fund:						
Reimbursement for						
interest subsidies and			b/c/			
losses	656,645,000:	--:	842,682,000:	--:	1,607,047,000:	--
Rural water and waste d/						
disposal grants.. ..	109,395,000:	--:	109,395,000:	--:	75,000,000:	--
Rural community fire						
protection grants.	3,091,000:	--:	3,091,000:	--:	--:	--
Rural Housing for e/						
Domestic Farm Labor.....	9,513,000:	--:	9,513,000:	--:	--:	--
Mutual and self-help f/						
housing grants.....	8,000,000:	--:	8,000,000:	--:	--:	--
Very low income housing						
repair grants.....	12,500,000:	--:	12,500,000:	--:	--:	--
Compensation for						
construction defects....	713,000:	--:	713,000:	--:	--:	--
Rural housing preservation						
grants... ..	19,140,000:	--:	19,140,000:	--:	--:	--
Rural development finance g/						
corporation grants... ..	14,263,668:	--:	--:	--:	--:	--
Salaries and Expenses:			h/			
Direct appropriation	394,545,000:)		408,234,000:)		420,188,000:)	
Transfer from ACIF.....	1,000,000:)	10,906:	1,000,000:)	10,453:	1,000,000:)	10,502
Transfer from ACIF and RHIF..	--:)		3,000,000:)		3,000,000:)	
Subtotal, salaries and						
expenses.....	395,545,000:	10,906:	412,234,000:	10,453:	424,188,000:	10,502
Total.	5,385,832,185:	10,906:	8,169,027,000:	10,453:	9,438,320,000:	10,502

Available Funds and Staff Years, 1987 and Estimated 1988 and 1989-Continued

Item	1987 Actual		1988 Estimated		1989 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Other obligations under Farmers Home Administration accounts:						
Agricultural credit insurance fund (emergency loan programs administrative funds)	55,000,000	1,795	88,430,000	2,710	53,738,000	1,690
Obligations under other USDA appropriations:						
Soil Conservation Service:						
Watershed protection & flood prevention.....	255,000	9	255,000	8	120,000	4
Resource conservation and development.	75,000	3	60,000	2	60,000	2
Total, Soil Conservation Service.....	330,000	12	315,000	10	180,000	6
Miscellaneous reimbursements:						
Agricultural Service Centers.	341,429	--	527,000	--	527,000	--
Soil Conservation Service Sharing automation, maintenance and system administrative costs.	--	--	100,000	--	100,000	--
Total, Agricultural Appropriations.....	5,441,503,614	12,713	8,258,399,000	13,173	9,492,865,000	12,198
Other Federal Funds:						
Other program funds from Federal sources:						
Appalachia Regional Development Program Grants.....	8,176,744	--	10,000,000	--	--	--
Total, other program funds.....	8,176,744	--	10,000,000	--	--	--
Other administrative funds from Federal sources:						
Appalachia Regional Conservation Program and Economic Development Administration....	72,033	2	70,000	2	70,000	2
Sales of Property through GSA.....	10,853	--	10,000	--	10,000	--
Miscellaneous Receipts (health clinic, jury duty, etc.)..	19,167	--	28,000	--	28,000	--
Total, other administrative funds.....	102,053	2	108,000	2	108,000	--
Total, other funds.....	8,278,797	2	10,108,000	2	108,000	2
Total, Farmers Home Administration.. . . .	5,449,782,411	12,715	8,268,507,000	13,175	9,492,973,000	12,200

Available Funds and Staff Years, 1987 and Estimated 1988 and 1989-Continued

	<u>1987</u> <u>Actual</u>	<u>1988</u> <u>Estimated</u>	<u>1989</u> <u>Estimated</u>
Full time Equivalent Staff-Years:			
Ceiling.....	12,289	12,675	11,700
Non Ceiling..	426	500	500
Total.....	<u>12,715</u>	<u>13,175</u>	<u>12,200</u>

- a/ Includes \$400,000,000 transferred to Commodity Credit Corporation authorized by the 1987 Continuing Resolution, P.L. 99-591.
- b/ Includes funds to reimburse FY 1984 and FY 1985 losses that were not reimbursed in FY 1986 and FY 1987.
- c/ Includes \$7,500,000 transferred to the Rural Development Loan Fund as authorized by the 1988 Continuing Resolution, P.L. 100-202.
- d/ In addition, \$1,589,885 of unobligated balances and \$9,561,747 of recoveries from prior year appropriations were available in 1987 and \$2,883,366 of unobligated balances will be made available in 1988.
- e/ In addition, \$303,674 of unobligated balances was available in FY 1987 and \$2,234,315 of unobligated balances will be made available in FY 1988.
- f/ In addition, \$5,403,815 of unobligated balances and \$527,232 of recoveries was available in FY 1987 and \$5,532,559 of unobligated balances will be made available in FY 1988.
- g/ P.L. 99-500 extended authority to make grants through September 30, 1987.
- h/ Includes \$600,000 appropriated separately to the Office of the Administrator.

FARMERS HOME ADMINISTRATION
Permanent Positions by Grade and Staff-Year Summary
1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Head- quarters	Field	Total	Head- quarters	Field	Total	Head- quarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-6	1	--	1	1	--	1	1	--	1
ES-5	3	--	3	3	--	3	3	--	3
ES-4	2	1	3	2	1	3	2	1	3
ES-3	2	--	2	2	--	2	2	--	2
ES-2	1	--	1	1	--	1	1	--	1
ES-1	2	--	2	2	--	2	2	--	2
GS/GM-15	32	48	80	32	48	80	32	48	80
GS/GM-14	64	15	79	64	15	79	64	15	79
GS/GM-13	118	440	558	118	446	564	111	409	520
GS-12	88	1,312	1,400	88	1,327	1,415	81	1,224	1,305
GS-11	39	1,515	1,554	39	1,532	1,571	35	1,415	1,450
GS-10	1	3	4	1	3	4	1	3	4
GS-9	36	1,436	1,472	36	1,452	1,488	34	1,341	1,375
GS-8	8	141	149	8	143	151	7	133	140
GS-7	41	987	1,028	41	998	1,039	40	920	960
GS-6	38	1,167	1,205	38	1,180	1,218	36	1,089	1,125
GS-5	25	2,379	2,404	25	2,405	2,430	24	2,221	2,245
GS-4	30	1,053	1,083	30	1,065	1,095	29	985	1,014
GS-3	8	478	486	8	484	492	8	449	457
GS-2	4	46	50	4	47	51	4	44	48
GS-1	--	3	3	--	3	3	--	3	3
Ungraded Positions	3	7	10	3	7	10	3	7	10
Total Permanent Positions	547	11,031	11,578	547	11,156	11,703	521	10,307	10,828
Staff Years:									
Ceiling	535	11,754	12,289	554	12,121	12,675	528	11,172	11,700
Non-Ceiling	17	409	426	20	480	500	20	480	500
Total 1/	552	12,163	12,715	574	12,601	13,175	548	11,652	12,200

1/ Staff-Years of overtime included: 1987, 141; 1988, 175; 1989, 160.

FARMERS HOME ADMINISTRATION

CLASSIFICATION BY OBJECTSFY 1987 and Estimated FY 1988 and FY 1989

Personnel Compensation:	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Headquarters.....	\$ 17,622,000	\$ 17,322,000	\$ 17,936,000
Field	<u>240,400,000</u>	<u>235,290,000</u>	<u>236,304,000</u>
11 Total personnel compensation....	258,022,000	252,612,000	254,240,000
12 Personnel benefits.....	40,037,000	53,191,000	54,310,000
13 Benefits for former personnel...	<u>529,559</u>	<u>438,000</u>	<u>490,000</u>
Total personnel compensation and benefits.....	298,588,559	306,241,000	309,040,000
Other Objects:			
21 Travel.....	15,946,000	15,177,000	15,796,000
22 Transportation of things.....	1,614,000	1,930,000	2,007,000
23.2 Rental payments to others... .	13,445,000	15,392,000	17,163,000
23.3 Communications, utilities and miscellaneous charges.....	31,387,000	31,464,000	34,895,000
24 Printing and reproduction.....	3,669,000	3,978,000	4,084,000
25 Other services.....	20,698,000	30,132,000	29,561,000
26 Supplies and materials.. . . .	4,292,000	5,188,000	5,625,000
31 Equipment.....	3,455,429	2,533,000	5,849,000
41 Grants, subsidies and contributions.....	185,856,412	179,730,000	456,600,000
42 Insurance claims and indemnities.....	184,213	188,000	158,000
43 Interest and dividends... . . .	<u>10,001</u>	<u>11,000</u>	<u>10,000</u>
Total other objects.....	<u>280,557,055</u>	<u>285,723,000</u>	<u>571,748,000</u>
Total direct obligations..... . . .	<u><u>579,145,614</u></u>	<u><u>591,964,000</u></u>	<u><u>880,788,000</u></u>

Position Data:

Average Salary, ES positions.....	\$69,525	\$69,525	\$69,525
Average Salary, GS positions.....	\$24,005	\$24,485	\$24,485
Average Grade, GS positions.....	7.81	7.81	7.81

FARMERS HOME ADMINISTRATION
COMPARISON OF LOAN DELINQUENCY RATES
(Dollars in Thousands)

	September 30, 1986				September 30, 1987			
	All Borrowers Number	Amount of Loans Outstanding	Number of Del	Amount Delinquent % of All	All Borrowers Number	Amount of Loans Outstanding	Number of Del	Amount Delinquent % of All
Agricultural Credit Insurance Fund								
Individual Loans:								
Farm Ownership 1/.....	124,451	7,697,294	27,599	395,822 5	118,379	\$7,451,280	26,989	448,843 6
Farm Operating.....	119,922	6,339,675	37,242	1,017,604 16	109,793	5,879,148	36,516	1,112,893 19
Recreation.....	193	12,109	50	1,337 11	174	11,145	41	1,530 14
Emergency Disaster.....	113,002	9,373,405	43,534	3,797,973 41	102,967	8,639,571	40,297	3,906,614 45
Economic Emergency.....	48,172	3,860,070	21,612	1,026,866 27	42,859	3,505,033	19,483	1,081,903 31
Soil and Water.....	15,661	293,117	4,295	36,453 12	14,494	277,257	4,106	40,137 14
Association Loans:								
Irrigation and Drainage.....	184	17,307	19	990 6	172	16,813	21	1,611 10
Grazing.....	250	58,002	27	2,832 5	245	56,092	22	3,702 7
Recreation.....	600	61,310	18	663 1	584	58,121	19	429 1
Indian Tribe Land Acquisition.....	30	84,618	3	1,268 1	29	86,556	4	196 0
Soil Conservation Service Loans:								
Watershed Protection and Flood Prevention.....	249	73,967	4	442 1	239	72,745	5	429 1
Resource Conservation and Development.....	141	14,522	10	443 3	136	13,940	12	605 4
Total, ACIF.....	422,855	27,885,396	134,413	6,282,693 23	390,071	26,067,701	127,515	6,598,892 25
Rural Housing Insurance Fund								
Low to Mod.-Income Hous. Loans:								
Repair (Section 504).....	27,913	59,736	3,115	603 1	27,306	57,167	2,943	564 1
General Purpose (Sec. 502):								
Interest Credit.....	395,575	12,704,919	86,263	56,992 0	383,024	12,405,256	82,831	57,942 0
Non-Interest Credit.....	535,880	9,251,983	96,974	188,766 2	362,612	5,796,991	82,422	195,594 3
Above Moderate-Income Housing Loans (Section 502).....	12,220	168,035	1,370	1,989 1	12,594	182,932	1,350	2,049 1
Domestic Farm Labor Loans (Section 514) 5/.....	5/	5/	5/	5/ 5/	1,284	135,453	247	2,132 2
Rental or Cooperative Loans (Section 515) 5/.....	5/	5/	5/	5/ 5/	14,307	7,824,235	1,728	31,437 0
Site Loans (Sec. 523 & 524) 2/	5/	5/	5/	5/ 5/	2	359	--	-- 0
Total, RHIF.....	971,588	\$22,184,673	187,722	248,350 1	801,129	\$26,402,393	171,521	289,718 1

FARMERS HOME ADMINISTRATION
COMPARISON OF LOAN DELINQUENCY RATES
(Dollars in Thousands)

	September 30, 1986				September 30, 1987			
	All Borrowers		Borrowers Delinquent		All Borrowers		Borrowers Delinquent	
	Number	Amount of Loans Outstanding	Number	% of Del	Number	Amount of Loans Outstanding	Number	% of Del
Rural Development Insurance Fund								
Community Facilities Loans:								
Water and Waste.....	13,413	\$6,654,665	115	1	9,680	5,262,197	125	1
Other Community Facilities....	2,975	1,568,730	34	1	2,062	1,162,319	52	3
Insured Bus. and Indus. Loans....	26	40,090	7	27	25	37,656	6	24
Total, RDIF.....	16,414	8,263,485	156	1	11,767	6,462,172	183	2
Community Service Adminis. 3/								
Economic Opportunity Loans:								
Individual.....	250	324	233	93	167	213	145	87
Cooperative.....	36	2,272	9	25	34	2,121	9	26
Total, CSA.....	286	2,596	242	85	201	2,334	154	77
TOTAL, FmHA 4/.....	1,411,143	\$58,336,150	322,533	23	1,203,168	\$58,934,600	299,373	25
				11				12

1/Includes non-farm enterprise loans.

2/Activity for Section 523 Site Loans is part of the Self-Help Land Development Fund.

3/FmHA is responsible only for servicing on Equal Opportunity Loans, the last of which were made in 1974.

4/Totals do not always add because of rounding.

5/Due to computer system change over, this information was not available for FY 1986.

Report on Acquired Property
September 30, 1987

Program Type	Collateral Inventory as of 9/30/84			Collateral Inventory as of 9/30/85			Collateral Inventory as of 9/30/86			Collateral Inventory as of 5/31/87 <u>1/</u>		
	Number of Properties	Value of Properties	Number of Properties	Value of Properties	Number of Properties	Value of Properties	Number of Properties	Value of Properties	Number of Properties	Value of Properties	Number of Properties	Value of Properties
Agricultural Credit Insurance												
Fund:												

Farm Ownership.....	1,655	\$179,860,651	2,304	\$310,980,196	2,859	\$382,131,834	3,348	\$427,413,721				
Nonfarm Enterprise.....	21	1,355,459	16	1,601,228	18	1,214,089	20	1,274,757				
Operating Loans.....	1,087	36,509,130	1,020	41,649,381	1,171	50,124,978	1,354	57,901,170				
Soil and Water - Individuals.	288	8,891,913	357	12,045,800	448	14,996,383	547	17,877,122				
Recreation Associations.....	11	1,249,879	4	782,278	3	439,412	4	562,868				
Emergency.....	1,838	271,524,512	2,248	370,218,157	2,633	454,838,783	3,143	512,011,980				
Economic Emergency.....	1,456	162,769,357	1,722	226,424,829	1,982	269,722,819	2,241	296,486,122				
Other.....	12	1,345,157	8	1,425,940	8	1,063,868	8	709,590				
Rural Housing Insurance Fund:												

Rural Housing - Individuals..	17,240	472,136,957	17,229	547,998,661	18,012	615,625,336	18,076	629,699,843				
Rural Rental Housing.....	15	2,245,440	3	208,804	2	208,804	2	208,804				
Farm Labor Housing.....	7	447,623	0	0	0	0	0	0				
Rural Housing Site.....	12	1,224,646	6	232,072	4	233,671	2	125,846				
Total FAHA.....	23,642	1,139,560,724	24,917	1,513,567,346	27,140	1,790,599,977	28,745	1,944,271,823				

1/ Data not available after May 31, 1987.

FARMERS HOME ADMINISTRATION
SUMMARY OF PROGRAM LEVELS: FY 1987-1989
Number of Loans/Grants
(Dollars in Thousands)

	FY 1987		FY 1988		FY 1989	
	Number	Amount	Number	Amount	Agency Number	Request Amount
AGRICULTURAL CREDIT INSURANCE FUND						
Direct Farm Ownership	896	74,999	1,350	115,000	0	0
Guaranteed Farm Ownership	2,137	324,419	4,150	640,000	0	0
Direct Farm Operating	32,096	1,298,281	21,800	900,000	0	0
Guaranteed Farm Operating	13,614	1,240,738	23,200	2,150,000	0	0
Direct Emergency Disaster	2,548	113,613	13,000	588,000	0	0
Direct Soil & Water	231	4,200	300	11,000	0	0
Guaranteed Soil & Water	3	335	5	3,000	0	0
Watershed and Flood Prevent. Loans	1	148	2	7,949	0	0
Resource Conser & Development Loans	0	0	2	1,207	0	0
Direct Indian Land Acquisition	1	2,000	2	2,000	0	0
Interest Buy-Down Program	0	21,930	0	100,000	0	100,000
Subtotal, Direct Program	35,773	1,493,241	36,456	1,625,156	0	0
Subtotal, Guaranteed Programs	15,754	1,565,492	27,355	2,793,000	0	0
Subtotal, Interest Buy-Down Program	0	21,930	0	100,000	0	100,000
Subtotal Agricultural Credit Insurance Fund	51,527	3,080,663	63,811	4,518,156	0	100,000
AGRICULTURAL CREDIT INSURANCE FUND LOAN SUB						
Guaranteed Farm Ownership	0	0	0	0	650	100,000 ^{a/}
Direct Farm Operating	0	0	0	0	11,900	500,000
Guaranteed Farm Operating	0	0	0	0	38,400	3,500,000 ^{a/}
Direct Emergency Disaster	0	0	0	0	2,150	100,000
Subtotal, Direct Program	0	0	0	0	14,050	600,000
Subtotal, Guaranteed Programs	0	0	0	0	39,050	3,600,000
Subtotal, Agricultural Credit Ins. Fund Sub	0	0	0	0	53,100	4,200,000
TOTAL AGRICULTURAL CREDIT INSURANCE FUND	51,527	3,080,663	63,811	4,518,156	53,100	4,300,000
RURAL HOUSING INSURANCE FUND						
Sec. 502 Low Income Housing Loans	33,612	1,143,926	38,450	1,266,710	0	0
Sec. 515 Rur Rent & Coop Hous Lns.(Sub.)	744	554,899	720	554,900	0	0
Sec. 504 V/L Inc. Hous Repair Loans	1,966	5,848	3,600	11,330	0	0
Sec. 514 RH For Domestic Farm Labor Lns	44	10,686	45	11,480	0	0
Sec. 524 Rural Housing Site Dev. Lns	2	200	5	570	0	0
Sec. 521 Rural Rental Assist. Payments	1,784	275,305	1,780	275,310	0	0
Rural Housing Voucher Demonstration	0	0	0	0	0	0
TOTAL RURAL HOUSING INSURANCE FUND	38,152	1,990,864	44,600	2,120,300	0	0

FARMERS HOME ADMINISTRATION
SUMMARY OF PROGRAM LEVELS: FY 1987-1989
Number of Loans/Grants
(Dollars in Thousands)

	FY 1987 Number	Actual Amount	FY 1988 Number	FY 1988 Amount	FY 1989 Agency Number	Request Amount
	-----	-----	-----	-----	-----	-----
RURAL DEVELOPMENT INSURANCE FUND						
Water and Waste Disposal Loans	679	330,380	660	330,380	0	0
Community Facility Loans	217	95,700	210	95,700	0	0
Guaranteed Business & Indus. Loans	67	95,700	65	95,700	0	0
Guaranteed Finance Corp. Loans	12	19,140	0	0	0	0
Subtotal, Direct Program	896	426,080	870	426,080	0	0
Subtotal, Guaranteed Programs	79	114,840	65	95,700	0	0
Subtotal, Rural Dev. Insurance Fund	975	540,920	935	521,780	0	0
RURAL DEVEL INSURANCE FUND LOAN SUB.						
Water and Waste Disposal Loans	0	0	0	0	480	250,000
Community Facility Loans	0	0	0	0	110	50,000
Guaranteed Community Program Loans	0	0	0	0	0	0
Guaranteed Business & Indus Loans	0	0	0	0	60	95,700
Subtotal, Rural Dev. Ins. Fund Sub.	0	0	0	0	650	395,700
TOTAL RURAL DEVELOPMENT INS FUND	975	540,920	935	521,780	650	395,700
RURAL DEVELOPMENT LOAN FUND						
Finance Corporation Grants	3	14,264	0	0	0	0
Rural Development Loans	0	0	10	14,000	0	0
TOTAL RURAL DEVELOPMENT LOAN FUND	3	14,264	10	14,000	0	0
HOUSING SUPPORT PROGRAMS						
Sec. 516 RH for Domestic Farm Lab. Grants	11	7,582	10	11,748	0	0
Sec. 504 V/L Inc. Hous. Repair Grants	3,623	12,498	3,552	12,500	0	0
Sec. 523 Mutual & Self-Help Hous. Grants	42	8,398	67	13,760	0	0
Sec. 509 Comp. for Construction Defects	78	241	226	713	0	0
Rural Housing Voucher Program/RRAP	0	0	0	0	(21,200)	381,600
Sec. 523 Self-Help Hous Land Dev. Fund	2	500	2	500	0	0
Sec. 533 Rural Housing Preservation Gts	155	19,140	152	19,140	0	0
TOTAL HOUSING SUPPORT PROGRAMS	3,911	48,359	4,009	58,361	(21,200)	381,600
RURAL DEVELOPMENT GRANT PROGRAMS						
Water & Waste Disposal Grants	319	117,663	290	112,278	190	75,000
Rural Development Grants	1	3,000	36	6,500	0	0
TOTAL RURAL DEVELOPMENT GRANT PROGRAMS	320	120,663	326	118,778	190	75,000
TOTAL FmHA APPROPRIATED PROGRAMS	94,898	5,795,733	113,691	7,351,375	53,940	5,152,300
RUR. COMM FIRE PROTECTION GRANTS (FS)	3,232	3,069	3,131	3,091	0	0

a/ The Budget proposes \$250 million be transferred from 60L to 6F0 if needed to provide loans for purchase of inventory of the Farm Credit System.

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Insurance Fund

- 1 [From funds in the Rural Housing Insurance Fund, and for insured loans as authorized by title V of the Housing Act of 1949, as amended, \$1,844,990,000, of which not less than \$1,794,420,000 shall be for subsidized interest loans to low-income borrowers, as determined by the Secretary, and for subsequent loans to existing borrowers or to purchasers under assumption agreements or credit sales; and not to exceed \$10,000,000 to enter into collection and servicing contracts pursuant to the provisions of section 3(f)(3) of the Federal Claims Act of 1966 (31 U.S.C. 3718).]
- 2 [For rental assistance agreements entered into or renewed pursuant to the authority under section 521(a)(2) of the Housing Act of 1949, as amended, total new obligations shall not exceed \$275,310,000, to be added to and merged with the authority provided for this purpose in prior fiscal years: Provided, That of this amount not to exceed \$109,918,000 is available for newly constructed units financed by section 515 of the Housing Act of 1949, as amended, and not less than \$5,082,000 is for newly constructed units financed under sections 514 and 516 of the Housing Act of 1949: Provided further, That \$160,310,000 is available for expiring agreements and for servicing of existing units without agreements: Provided further, That agreements entered into or renewed during fiscal year 1988 shall be funded for a five-year period, although the life of any such agreement may be extended to fully utilize amounts obligated: Provided further, That agreements entered into or renewed during fiscal years 1984, 1985, 1986, and 1987 may also be extended beyond five years to fully utilize amounts obligated.]

For an additional amount to reimburse the Rural Housing Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of title V of the Housing Act of 1949, as amended (42 U.S.C. 1483, 1487(e), and 1490a(c)), including [\$2,185,000] \$1,381,000 as authorized by section 521(c) of the Act; [\$2,964,249,000] \$3,660,061,000. For an additional amount as authorized by section 521(c) of the Act such sums as may be necessary to reimburse the fund to carry out a rental assistance program under section 521(a)(2) of the Housing Act of 1949, as amended.

The first change deletes the language that authorizes insured loans to be made from the Rural Housing Insurance Fund and eliminates language authorizing and limiting amounts to be available for collection and servicing contracts.

The second change deletes the language that authorizes and limits amounts to be made available for rental assistance agreements.

Rural Housing Insurance Fund

(a) On Basis of Program Levels

Program Levels, 1988.....	\$2,120,300,000
Program Levels, 1989.....	--
Decrease in Program Levels.....	<u>-2,120,300,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of program level authorizations)
(Dollars in millions)

Item of Change	1988 Authorized	Program Changes	1989 Estimated
Low-Income Housing Assistance:			
Subsidized Interest Rate Loans:			
Repair loans (sec. 504).....	\$ 11.3	-\$ 11.3	--
General purpose loans (sec. 502).....	1,202.7	-1,202.7	--
Domestic farm labor housing loans (sec. 514).....	11.5	-11.5	--
Rental or cooperative loans (sec. 515)....	554.9	-554.9	--
Subtotal, Low-Income Housing Loan Assistance.....	1,780.4	-1,780.4	--
Non-subsidized Housing Loan Assistance:			
Loans for servicing the existing portfolio and special hardship.....	14.0	-14.0	--
Low-income non-interest credit.....	50.0	-50.0	--
Site loans (sec. 524).....	0.6	-0.6	--
Subtotal, Moderate-Income Housing Loan Assistance.....	64.6	-64.6	--
TOTAL LOAN ASSISTANCE.....	1,845.0	-1,845.0	--
Rural Rental Assistance Payments.....	275.3	-275.3	--
TOTAL PROGRAM LEVELS.....	2,120.3	-2,120.3	--

RURAL HOUSING INSURANCE FUND

PROJECT STATEMENT
(On the basis of loan levels)
(Dollars in millions)

Project	1987 Actual		1988 Estimated		Decrease	1989 Estimated	
	No. of Units	Amount	No. of Units	Amount		No. of Units	Amount
Low-Income Housing Assistance:							
Subsidized Interest Rate Loans:							
Repair loans (sec. 504).....	1,707	\$ 5.8	3,200	\$ 11.3	11.3(1)	--	--
General purpose loans (sec. 502).....	24,064	1,133.2	25,050	1,202.7	-1,202.7(2)	--	--
Domestic farm labor housing loans (sec. 514).....	417	10.7	530	11.5	-11.5(3)	--	--
Rental or cooperative loans (sec. 515).....	17,055	554.9	16,700	554.9	-554.9(4)	--	--
Non-Subsidized Interest Rate Loans:							
Loans for servicing the existing portfolio							
special hardships.....	8	10.7	--	14.0	-14.0(2)	--	--
Low-income non-interest credit.....	--	--	1,550	50.0	-50.0(2)	--	--
Site loans (sec. 524) a/.....	--	.2	--	0.6	-0.6(5)	--	--
TOTAL LOAN ASSISTANCE.....	43,251	1,715.6	47,030	1,845.0	-1,845.0	--	--
Rural Rental Assistance Payments.....	(24,921)	275.3	(24,921)	275.3	-275.3(6)	--	--
TOTAL PROGRAM LEVELS.....	43,251	1,990.9	47,030	2,120.3	-2,120.3	--	--

Staff years are reflected in the Salaries and Expense Project Statement.

a/ Site loans do not produce units of housing. They are usually made in conjunction with section 502 or section 515 loans and the units would be counted under these categories.

EXPLANATION OF PROGRAM

The Rural Housing Insurance Fund (RHIF) was established under the authority contained in section 1003 (a) of the Housing and Urban Development Act of 1965 (Public Law 89-117), approved August 10, 1965. Public Law 89-117 authorized an appropriation of such sums as may be necessary for the purposes of the fund. An Appropriation of \$100,000,000 was provided by the Supplemental Appropriation Act, 1966, (Public Law 89-309), to capitalize the fund for future operations.

Public Law 89-117 transferred authorities for making insured farm labor housing loans and insured rural rental or cooperative housing loans from the Agricultural Credit Insurance Fund to the Rural Housing Insurance Fund. Public Law 90-448, approved August 1, 1968, authorized interest credits to the accounts of certain qualified borrowers. Public Law 91-152, approved December 24, 1969, transferred the assets, liabilities, and authorizations of the Rural housing direct loan account to the Rural Housing Insurance Fund. Public Law 91-609, approved December 31, 1970, made a number of changes in the loan and grant programs for farm labor housing.

The Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, provides that loans may be made in areas with a population in excess of 10,000 but less than 20,000 if such an area is not included within a standard metropolitan statistical area and has a serious lack of mortgage credit as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development. This authority was amended by Public Law 94-375, approved August 3, 1976, to specify that there must be a serious lack of mortgage credit for low and moderate income families. The Housing and Community Development Act of 1974 also established a rural rental assistance program to be administered by Farmers Home Administration through the Rural Housing Insurance Fund. The Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, provided for numerous changes in FmHA's rural housing authorities. The most significant were: changes made to the guaranteed housing program authorities to make the program more attractive to local lenders and to limit its scope to above moderate income applicants only, as defined by FmHA; provision for payments from the RHIF to borrowers for compensation for correction of construction defects, claims resulting from such defects, or the acquisition of title to the property, where a newly constructed unit purchased with financial assistance from FmHA is found by the Secretary to have structural defects; and provision for FmHA-held acquired property to be subject to taxation by State and local political subdivisions in the same manner and to the same extent as other property is taxed.

The Supplemental Appropriations Act for the fiscal year ending September 30, 1984, and for other purposes, (also known as the "Housing and Urban-Rural Recovery Act of 1983") Public Law 98-181, approved November 30, 1983, provided for numerous changes in FmHA's rural housing programs. The most significant were to: target and give priority to very low-income persons in making housing assistance available in rural areas; adopt HUD income limits, eligibility criteria and definitions of adjusted income; make single or multi-family loans for manufactured housing units and authorize up to \$10 million for innovative demonstrations of housing and building systems that differ from FmHA minimum property standards; permit rental housing projects on scattered sites; limit rent increases; require certain priorities regarding occupancy for rental assistance payments; and emphasize housing of modest size, design and cost. Also, Section 533 was added to provide Housing Preservation Grants for rehabilitation purposes.

The Housing and Community Development Technical Amendments Act of 1984, Public Law 98-479, approved October 17, 1984 made additional technical changes to the Housing programs as a result of the previously passed Housing and Urban-Rural Recovery Act of 1983. The most significant changes were: to remove references to the Secretary of Housing and Urban Development in establishing low and very low family income levels; to require a nationwide minimum of 40 percent of Section 502 funding to be set aside for very low-income families and to establish a minimum of 30 percent of those funds to be allocated to each state for very low-income

families; to restrict the interchange funding authority of the Secretary; and to establish new priorities for the rental assistance program including extension of expiring contracts.

The Housing and Community Development Act of 1987 provides further enhancements to FmHA's existing housing programs. A high priority in the law is the requirement for FmHA to provide a series of incentives and options in dealing with prepayment of pre-1979 rural rental housing loans to stem the potential loss of rental units from government subsidy and to maintain their availability for low-income families. In addition, this Act gives FmHA the authority to use area or statewide median income rather than a lower county median income if program eligibility would be widened by such application in qualifying applicants or tenants for housing assistance, permits the Agency to continue assistance to borrowers with above moderate income when necessary to the well-being of the family, provides FmHA additional servicing options by mandating the Agency to escrow taxes and insurance, permits the cost of applying for housing assistance to be part of the loan, changes the equity contribution for Section 515 rural rental housing from 5% to 3%, and prohibits the charging of processing and transfer fees in the Section 515 program.

Rural housing building and repair loans (Section 502 of the Housing Act of 1949, as amended) - Loans are made to enable eligible low income applicants to purchase, construct, improve, alter, repair or replace dwellings in rural areas, if their need for necessary housing cannot be met with financial assistance from other sources. Not less than 40 percent of the funding authorized nationally shall be set aside and not less than 30 percent in each state will be available for very low-income families. These loans bear a note rate based on the cost-of-money to the Treasury with provisions for interest credit which may reduce the interest rate to as low as 1 percent under certain circumstances. Such loans may not exceed amounts necessary to provide adequate housing, modest in size, design, and cost.

Insured building loans are made to farm owners, owners of other real estate in rural areas, others who are or will become rural residents, and long-term leaseholders. These loans are generally repayable in not more than 33 years; however, persons whose incomes do not exceed 60 percent of the median income for the area, could receive loans with maturities of up to 38 years.

Rural housing very low-income repair loans (Section 504 of the Housing Act of 1949, as amended) - Loans are authorized to be made to very low-income individuals and families to repair their dwellings in order to make them safe and remove health hazards. The loans are made at 1 percent for a term of not more than 20 years and presently carry a maximum lifetime assistance level (loan or combination loan and grant) of \$7,500.

Rural rental and cooperative building loans (Section 515 of the Housing Act of 1949, as amended) - Loans are authorized to be made to individuals, corporations, Indian tribes, associations, public bodies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly or handicapped persons or families and other persons of low, very low, and moderate income in rural areas. Priority for rural rental housing loans is for applicants proposing to serve low and very low-income families and persons in most rural areas. These loans are repayable in not more than 50 years and currently bear a note rate based on the cost-of-money to the Treasury with provision for interest credits to benefit tenants by reducing the interest rate to as low as 1 percent under certain circumstances. These loans are made only if the need for necessary housing cannot be met with financial assistance from other sources except in the case of public bodies. The Farmers Home Administration has in the past made its rural rental housing loans in conjunction with the Department of Housing and Urban Development's Section 8 rent subsidy program. Loans made for units that have received Section 8 assistance bear an interest rate that is reduced either 1 percent or 2 percent below the unsubsidized rate, depending upon the circumstances of the individual project.

Rural housing site loans (Section 524 of the Housing Act of 1949, as amended) - Loans are made for the purchase and development of land to be subdivided into building sites for low to moderate income housing borrowers and rural rental and cooperative housing borrowers. Insured loans are made at a note rate based on the cost-of-money to the Treasury, and are repayable in 2 years.

Farm labor housing loans (Section 514 of the Housing Act of 1949, as amended) - Loans are authorized to be made to a farm owner, to certain public or broad-based private nonprofit organizations, public bodies, or to a nonprofit organization of farmworkers to provide modest living quarters, basic household furnishings, and related facilities, including land necessary for an adequate site, for domestic farm labor. Loans will be made based on a determination of need considering housing needs of domestic farm labor, including migrant farmworkers in the area without regard to other housing needs in the area. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent, except under certain circumstances. Loans to organizations may be made simultaneously with farm labor housing grants which are discussed elsewhere in these justifications.

Rural rental assistance payments (Section 521 of the Housing Act of 1949, as amended) - Rural rental assistance payments are authorized to be made to owners of FmHA financed rural rental or cooperative housing or domestic farm labor housing facilities in order that low-income tenants will contribute no more than the higher of (1) 30 percent of monthly adjusted income, (2) 10 percent of monthly income, or (3) designated housing payments from a welfare agency. The program is administered in tandem with FmHA section 515 rural rental and cooperative housing programs, or the farm labor loan and grant programs.

JUSTIFICATION OF DECREASES

The President's Budget requests no new program funding under the Rural Housing Insurance Fund. In place of the traditional FmHA housing programs, FmHA is proposing that a new rural housing voucher system be implemented, based on the same payment standards and regulations set by the Department of Housing and Urban Development for its Section 8 voucher program. To this end, the Budget includes, elsewhere, \$381,600,000 for funding an estimated 21,200 units for a 5-year term. The changes in RHIF program levels consist of:

- (1) A decrease of \$11,330,000 for section 504 very low-income housing repair loans (\$11,330,000) available in FY 1988).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change. No funding is requested in FY 1989. The program is to be replaced by the rural housing voucher program which directs benefits to very low-income families, provides housing assistance more efficiently and offers a greater choice of housing and location to program recipients.

- (2) A decrease of \$1,266,710,000 of section 502 low-to-moderate income rural housing loans to individuals (\$1,266,710,000 available in FY 1988).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change. No funding is requested in FY 1989. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing and location to program recipients.

- (3) A decrease of \$11,480,000 for section 514 domestic farm labor housing loans (\$11,480,000 available in FY 1988).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change. No funding is requested in FY 1989. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing and location to program recipients.

- (4) A decrease of \$554,900,000 for section 515 rental or cooperative housing loans (\$554,900,000 available in FY 1988).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change. No funding is requested in FY 1989. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing and location to program recipients.

- (5) A decrease of \$570,000 for section 524 site loans (\$570,000 available in FY 1988).

Need for change. Historically this program has been utilized sporadically and at minimal levels. Little impact will result from non-funding.

Nature of change. The budget proposes termination of the program.

- (6) A decrease of \$275,310,000 for rural rental assistance payments (\$275,310,000 available in FY 1988).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change: No funding requested for FY 1989. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which will provide housing assistance more efficiently and offers a greater choice of housing and location to program recipients.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1988.....	\$3,124,606,000	1/
Budget Estimate, 1989.....	3,864,489,000	2/
Increase in Appropriation.....	<u>+739,883,000</u>	

- 1/ Includes reimbursement for payments made under the rural rental assistance program in the amount of \$160,357,000.
- 2/ Include reimbursements for payments made under the rural rental assistance program in amount of \$204,428,000.

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1987 Actual	1988 Actual	Increase or Decrease	1989 Estimated
Reimbursement for Interest				
Subsidies and Losses:				
General purpose loans...	\$1,765,115	\$1,877,022	+\$ 22,712	\$ 1,899,734
Rental or cooperative				
loans.....	629,801	659,253	+56,153	715,406
Domestic farm labor				
loans.....	15,238	16,189	-33	16,156
Site loans.....	491	-6,498	+6,545	47
Sale of loan assets.....	--	--	+1,028,718	1,028,718
Subtotal, subsidies and				
losses.....	2,410,645	2,545,966	+1,114,095(1)	3,660,061
Rural rental assistance				
payments.....	137,341	160,357	+44,071(2)	204,428
Total Losses.....	2,547,986	2,706,323	+1,158,166	3,864,489
Appropriation for FY 1984				
losses not reimbursed				
in FY 1986.....	303,921	--	--	--
Amount of losses not				
appropriated in FY 1987...	-418,283	--	--	--
Appropriation for FY 1985				
losses not reimbursed				
in FY 1987.....	--	418,283	-418,283(3)	--
Total Appropriation	2,433,624	3,124,606	+739,883	3,864,489

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Housing Insurance Fund for funded interest subsidies and losses incurred in fiscal year 1987. Section 521(c)(1) of the Housing Act of 1949, as amended, authorizes annual appropriations to the Rural Housing Insurance Fund of the amounts by which interest payments made from the fund to investors in insured loans exceed the interest due from borrowers. In addition, section 517(e) of the Act authorizes appropriations to restore all other losses to the fund. The amount requested is exclusive of provision for future losses, unfunded costs and imputed interest.

JUSTIFICATION OF INCREASES AND DECREASE

- (1) An increase of \$1,114,095,000 for reimbursement of interest subsidies and other losses incurred in 1987 (\$2,545,966,000 in interest subsidies and losses incurred in 1986).

Need for change. An increase of \$1,114,095,000 for reimbursement for interest subsidies and losses is due to several factors. The primary reason for the increase can be attributed to the bookkeeping loss recorded in conjunction with the sale of rural housing loans in September of 1987. While cash and other proceeds were generated totaling \$1,940,201,250, the book value of the loans sold totaled \$2,968,919,005, thus generating a loss to the fund of \$1,028,717,754 on the sale. Another contributing item in the increase in losses was that the net losses on the sale of acquired property expanded by over \$46 million to \$242,231,897. All other items of change net to less than \$40 million of additional increase. Major items of change include the following: interest expense items increased by a little over \$23 million; interest income items decreased by a little over \$44 million; writeoffs increased by over \$17 million; and recapture income increased by almost \$24 million.

Nature of change. The amount requested will reimburse the Rural Housing Insurance Fund for interest subsidies and other losses incurred during FY 1987.

- (2) An increase of \$44,071,000 for rural rental assistance payments (\$160,357,000 available in 1988).

Need for change. The amount requested represents the current estimate of FY 1989 disbursements for rental assistance agreements which were obligated in prior years.

Nature of change. The increase of \$44,071,000 is attributable to additional new construction units that will receive assistance during FY 1989 from FY 1988 and prior year obligations, the annualization of partial year payments to other units added in FY 1988, plus any general inflation to assistance costs for all the units projected to be under rental assistance agreements in FY 1989.

- (3) A decrease of \$418,283,000 for reimbursement of interest subsidies and losses incurred in FY 1985, not reimbursed in FY 1987.

Need for change. This decrease represents the amount of losses not appropriated in FY 1987 for FY 1985 losses.

Nature of change. This shortage in the 1987 appropriation was appropriated in FY 1988; therefore, such amount need not be included as part of the FY 1989 request.

The following schedule presents an analysis of change in the cash position of the fund.

Rural Housing Insurance Fund

Change in Cash Position of the Fund
(In Thousands of Dollars)

	<u>1987</u> <u>Actual</u>	<u>1988</u> <u>Estimate</u>	<u>1989</u> <u>Estimate</u>
Cash balance, beginning of year.....	\$ 14,579	\$3,205,077	\$ 102,948
Outlays.....	<u>-798,125</u>	<u>-3,246,735</u>	<u>-1,411,008</u>
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses.....	2,296,283	2,964,249	3,660,061
Appropriation for reimbursement of rental assistance payments.....	137,341	160,357	204,428
Treasury borrowings.....	5,425,000	5,425,000	5,025,000
Repayments of borrowings from Treasury.....	-3,720,000	-5,425,000	-5,425,000
Repayments of borrowings from FFB...	-150,000	--	-1,000,000
Repayment of borrowings from FFB ahead of schedule.....	--	-2,980,000	-725,000
Net financing.....	<u>3,988,624</u>	<u>144,606</u>	<u>1,739,489</u>
Cash balance, end of year.....	<u>3,205,077</u>	<u>102,948</u>	<u>431,429</u>

Change in Accounting Procedures

Accounting procedures of the Agency have been changed at the recommendation of GAO's audit on FmHA Financial Statements (B-226249) and to present financial statements in accordance with generally accepted accounting principles for Federal agencies. This accounting change is intended to more fully reflect the estimated value of the portfolio, including loans receivable, interest receivable, and acquired inventory property. These new procedures are based on current market conditions rather than purely historical factors. This is an accounting change only and will not have a budgetary impact.

Estimated valuation of these Agency assets will be reviewed annually to insure loan portfolios and acquired inventory properties are reflected properly each year at their current estimated market value.

Sale of Rural Housing Loans

In FY 1989, the Agency proposes to again sell on a non-recourse basis loans held by the Rural Housing Insurance Fund. An estimated \$1.75 billion of loan principal value will be used to securitize senior and subordinate mortgage-backed securities that will be marketed primarily to institutional investors. The net cash proceeds from the sale of the senior securities are estimated to be \$870 million in FY 1989, and the subordinate securities will be retained by the Agency for future sale when a track record for the security can be established to aid in their sale.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses and rental assistance, is shown in the following table. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Housing Insurance Fund

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income		Expense		Net	
	Interest	Other	Total	Interest	Other	Total
1987 Actual						
General purpose loans.....	\$1,235,347	\$49,353	\$1,284,700	\$2,884,517	\$37,111	\$3,184,434
Domestic farm labor loans.....	1,363	8	1,371	17,387	--	17,527
Rental or cooperative loans.....	277,202	600	277,802	985,148	3	993,208
Site loans.....	50	1	51	63	35	98
Sale of loan assets.....	--	--	--	--	--	--
TOTAL.....	1,513,962	49,962	1,563,924	3,887,115	37,114	5,223,985
1988 Estimate						
General purpose loans.....	932,000	208,400	1,140,400	2,750,000	34,100	3,041,800
Domestic farm labor loans.....	1,300	20	1,320	17,902	10	18,052
Rental or cooperative loans.....	267,060	1,252	268,312	998,000	90	1,006,020
Site loans.....	40	2	42	82	--	117
TOTAL.....	1,200,400	209,674	1,410,074	3,765,984	34,200	4,065,989
1989 Estimate						
General purpose loans.....	917,600	104,900	1,022,500	2,590,000	34,100	3,047,300
Domestic farm labor loans.....	1,340	22	1,362	17,550	10	17,744
Rental or cooperative loans.....	275,000	1,366	276,366	983,000	90	993,450
Site loans.....	60	2	62	81	45	126
Sale of loan assets.....	--	--	--	--	--	--
TOTAL.....	1,194,000	106,290	1,300,290	3,590,631	34,200	4,822,620

1/ Does not include rural rental assistance payments.

The following schedules present an analysis of outlays by loan program for fiscal years 1987, 1988 and 1989.

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1987
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
<u>Funds for program operations:</u>					
<u>Funds expended:</u>					
Loans made by the fund.....	\$1,140,667:	\$11,018:	\$ 610,927:	\$157:	\$1,762,769
Purchase of loans and certificates of beneficial ownership (public).....	10,718:	56:	3,203:	--:	13,977
Rental assistance payments.....	--:	7,669:	129,672:	--:	137,341
Collections disbursed to investors.....	30,448:	--:	--:	--:	30,448
Interest expense.....	2,876,878:	17,341:	982,539:	63:	3,876,821
Interest credits on loans.....	533:	--:	--:	--:	533
Loss settlement, guaranteed loans.....	166:	--:	--:	--:	166
Other.....	152,697:	698:	15,547:	7:	168,949
Total funds expended.....	4,212,107:	36,782:	1,741,888:	227:	5,991,004
<u>Funds received:</u>					
Repayments on loans.....	1,676,961:	6,281:	126,453:	39:	1,809,734
Payments of interest on loans.....	1,169,230:	1,124:	255,930:	3:	1,426,287
Net proceeds of loan asset sales.....	1,745,764:	--:	--:	--:	1,745,764
Sale of insured loans.....	19,682:	--:	--:	--:	19,682
Collections received for investors.....	30,219:	--:	--:	--:	30,219
Insurance premiums and guarantee fees.....	48:	--:	--:	--:	48
Other.....	143,077:	402:	17,665:	1:	161,145
Total funds received.....	4,784,981:	7,807:	400,048:	43:	5,192,879
OUTLAYS.....	-572,874:	28,975:	1,341,840:	184:	798,125

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1988
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund.....	\$1,230,346:	\$11,638:	\$ 598,710:	\$306:	\$1,841,000
Purchase of loans and certificates of beneficial ownership (public).....	232,000:	1,000:	69,267:	--:	302,267
Rental assistance payments.....	--:	9,357:	151,000:	--:	160,357
Collections disbursed to investors.....	16,900:	--:	100:	--:	17,000
Interest expense.....	2,791,650:	18,000:	1,012,000:	83:	3,821,733
Interest credits on loans.....	2,029:	--:	--:	--:	2,029
Loss settlement, guaranteed loans.....	180:	--:	--:	--:	180
Other.....	80,300:	520:	27,155:	10:	107,985
Total funds expended.....	4,353,405:	40,515:	1,858,232:	399:	6,252,551
Funds received:					
Repayments on loans.....	1,350,000:	6,400:	132,000:	200:	1,488,600
Payments of interest on loans.....	932,000:	1,300:	267,060:	40:	1,200,400
Net proceeds of loan asset sales.....	--:	--:	--:	--:	--
Sale of insured notes.....	8,000:	--:	--:	--:	8,000
Collections received for investors.....	9,940:	--:	60:	--:	10,000
Insurance premiums and guarantee fees.....	40:	--:	--:	--:	40
Other.....	130,000:	481:	16,400:	--:	146,881
Prepayment premium on CBO repurchase.....	107,945:	--:	--:	--:	107,945
Income on subordinate securities, subser- vicer fees, and protective advance fund.....	43,950:	--:	--:	--:	43,950
Total funds received.....	2,581,875:	8,181:	415,520:	240:	3,005,816
OUTLAYS.....	1,771,530:	32,334:	1,442,712:	159:	3,246,735

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program

Fiscal Year 1989

(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund.....	\$ 401,450:	\$ 7,940:	\$ 476,160:	\$450:	\$ 886,000
Purchase of loans and certificates of of beneficial ownership (public).....	140,900:	300:	41,989:	--:	183,189
Rental assistance payments.....	--:	12,428:	192,000:	--:	204,428
Collections disbursed to investors.....	4,960:	--:	40:	--:	5,000
Interest expense.....	2,613,000:	18,300:	1,038,500:	70:	3,669,870
Interest credits on loans.....	3,379:	--:	--:	--:	3,379
Loss settlement, guaranteed loans.....	171:	--:	--:	--:	171
Other.....	75,400:	459:	23,201:	15:	99,075
Prepayment Penalty CBO repurchase.....	88,607:	--:	--:	--:	88,607
Total funds expended.....	3,327,867:	39,427:	1,771,890:	535:	5,139,719
Funds received:					
Repayments on loans.....	1,302,400:	6,500:	144,000:	200:	1,453,100
Payments of interest on loans.....	917,600:	1,340:	275,000:	60:	1,194,000
Net proceeds on loan asset sale.....	870,000:	--:	--:	--:	870,000
Sale of insured notes.....	2,000:	--:	--:	--:	2,000
Collections received for investors.....	1,990:	--:	10:	--:	2,000
Insurance premiums and guarantee fees.....	40:	--:	--:	--:	40
Other.....	150,000:	521:	18,800:	--:	169,321
Income on subordinate securities, subser- vicer fees, and protective advance fund....	38,250:	--:	--:	--:	38,250
Total funds received.....	3,282,280:	8,361:	437,810:	260:	3,728,711
OUTLAYS.....	45,587:	31,066:	1,334,080:	275:	1,411,008

Rural Housing Insurance Fund
Proposal For Later Transmittal, Proposed Legislation - Penalty

EXPLANATION OF PROPOSED LEGISLATION

Proposed legislation will be submitted that will effectively remove the prepayment penalty provisions associated with the redemption ahead of schedule of Certificates of Beneficial Ownership when such redemptions are pursuant to accomplishing sales of loan assets to the public. The Federal Financing Bank will request a direct appropriation for any penalty payments foregone by the client agencies.

Under the Rural Housing Insurance Fund, a \$88.6 million penalty has been projected pursuant to the redemption of \$725 million of Certificates of Beneficial Ownership in FY 1989 as part of the proposed sale of \$1.75 billion of rural housing loans. The proposed legislation would eliminate the need for the Agency to make such a payment to the Federal Financing Bank from the revolving fund to accomplish the redemption. This transaction would not have any government-wide budgetary impact.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Housing Insurance Fund

Very-Low Income Housing Repair Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	435,890	337,000	--
Alaska.....	--	57,000	--
Arizona.....	11,990	135,000	--
Arkansas.....	102,670	246,000	--
California.....	91,250	401,000	--
Colorado.....	6,860	87,000	--
Connecticut.....	3,600	55,000	--
Delaware.....	900	24,000	--
Florida.....	67,550	268,000	--
Georgia.....	68,570	419,000	--
Hawaii.....	--	45,000	--
Idaho.....	8,100	69,000	--
Illinois.....	73,630	292,000	--
Indiana.....	26,140	260,000	--
Iowa.....	104,910	168,000	--
Kansas.....	12,250	127,000	--
Kentucky.....	368,270	406,000	--
Louisiana.....	232,290	302,000	--
Maine.....	185,220	107,000	--
Maryland.....	36,720	116,000	--
Massachusetts.....	18,940	104,000	--
Michigan.....	56,770	328,000	--
Minnesota.....	14,150	210,000	--
Mississippi.....	441,690	308,000	--
Missouri.....	82,290	267,000	--
Montana.....	2,300	60,000	--
Nebraska.....	16,060	80,000	--
Nevada.....	2,000	21,000	--
New Hampshire.....	17,300	56,000	--
New Jersey.....	30,100	77,000	--
New Mexico.....	53,600	114,000	--
New York.....	72,870	306,000	--
North Carolina.....	172,130	537,000	--
North Dakota.....	14,000	48,000	--
Ohio.....	86,170	400,000	--
Oklahoma.....	42,540	196,000	--
Oregon.....	45,900	141,000	--
Pennsylvania.....	331,740	448,000	--
Rhode Island.....	2,200	13,000	--
South Carolina.....	151,590	289,000	--
South Dakota.....	--	64,000	--
Tennessee.....	93,320	354,000	--
Texas.....	725,460	644,000	--
Utah.....	16,100	42,000	--
Vermont.....	31,920	45,000	--
Virginia.....	89,070	359,000	--
Washington.....	81,740	166,000	--
West Virginia.....	216,490	229,000	--
Wisconsin.....	99,590	230,000	--
Wyoming.....	14,350	36,000	--
Puerto Rico.....	194,180	411,000	--
Trust Territories..	794,691	800,000	--
Virgin Islands.....	--	26,000	--
Total, Available or Estimate.....	<u>5,848,061</u>	<u>11,330,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Housing Insurance Fund

Low Income Loan Program

	<u>1987</u> Amount	<u>1988</u> Amount	<u>1989</u> Amount
Alabama.....	22,099,170	35,229,000	--
Alaska.....	2,225,450	4,843,000	--
Arizona.....	15,840,790	13,229,000	--
Arkansas.....	22,508,770	26,297,000	--
California.....	53,497,580	48,066,000	--
Colorado.....	7,226,270	11,529,000	--
Connecticut.....	18,324,110	9,758,000	--
Delaware.....	4,372,660	3,215,000	--
Florida.....	29,272,230	33,455,000	--
Georgia.....	18,790,650	45,402,000	--
Hawaii.....	20,708,430	4,393,000	--
Idaho.....	6,374,420	8,935,000	--
Illinois.....	21,679,020	39,235,000	--
Indiana.....	15,718,760	36,355,000	--
Iowa.....	18,398,410	23,438,000	--
Kansas.....	6,145,910	17,543,000	--
Kentucky.....	31,184,360	41,090,000	--
Louisiana.....	24,660,380	30,707,000	--
Maine.....	40,918,480	13,302,000	--
Maryland.....	16,579,880	15,046,000	--
Massachusetts.....	51,996,160	16,273,000	--
Michigan.....	35,368,450	45,963,000	--
Minnesota.....	14,619,370	26,787,000	--
Mississippi.....	64,242,611	30,612,000	--
Missouri.....	23,201,480	32,876,000	--
Montana.....	5,078,550	7,591,000	--
Nebraska.....	7,903,150	11,202,000	--
Nevada.....	2,734,910	2,688,000	--
New Hampshire.....	12,635,140	8,153,000	--
New Jersey.....	16,306,312	12,931,000	--
New Mexico.....	11,772,890	10,927,000	--
New York.....	30,389,820	46,048,000	--
North Carolina.....	36,226,950	61,799,000	--
North Dakota.....	4,092,560	6,345,000	--
Ohio.....	39,328,540	53,575,000	--
Oklahoma.....	14,903,150	22,489,000	--
Oregon.....	18,330,410	18,423,000	--
Pennsylvania.....	58,431,880	63,838,000	--
Rhode Island.....	8,922,080	2,042,000	--
South Carolina.....	35,601,910	31,331,000	--
South Dakota.....	3,899,350	7,774,000	--
Tennessee.....	50,667,720	38,899,000	--
Texas.....	38,525,340	69,127,000	--
Utah.....	4,653,430	5,100,000	--
Vermont.....	12,449,460	6,376,000	--
Virginia.....	32,576,680	39,181,000	--
Washington.....	16,120,370	21,639,000	--
West Virginia.....	17,491,130	25,304,000	--
Wisconsin.....	24,416,870	31,312,000	--
Wyoming.....	3,109,420	4,539,000	--
Puerto Rico.....	42,405,240	33,169,000	--
Trust Territories..	8,574,090	8,279,000	--
Virgin Islands.....	424,370	3,051,000	--
Total, Available or Estimate.....	<u>1,143,925,523</u>	<u>1,266,710,000</u>	<u>--</u>

Farmers Home Administration
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 1987 and Estimated 1988 and 1989

Rural Housing Insurance Fund

Rural Housing Site Loan Program

	1987 <u>Amount</u>	1988 <u>Amount</u>	1989 <u>Amount</u>
California.....	153,900	114,000	--
Florida.....	--	60,000	--
Mississippi.....	45,800	96,000	--
North Carolina.....	--	60,000	--
South Dakota.....	--	60,000	--
Virginia.....	--	60,000	--
Washington.....	--	60,000	--
Puerto Rico.....	--	60,000	--
	<u> </u>	<u> </u>	<u> </u>
Total, Available or Estimate.....	<u>199,700</u>	<u>570,000</u>	<u> </u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Housing Insurance Fund

Rural Rental Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	15,864,730	18,101,000	--
Alaska.....	--	2,402,000	--
Arizona.....	6,613,050	6,778,000	--
Arkansas.....	22,219,150	13,542,000	--
California.....	46,238,700	19,571,000	--
Colorado.....	8,684,800	4,474,000	--
Connecticut.....	3,396,710	2,770,000	--
Delaware.....	2,260,670	1,270,000	--
Florida.....	21,469,410	14,446,000	--
Georgia.....	22,538,600	22,526,000	--
Hawaii.....	1,066,090	2,057,000	--
Idaho.....	1,556,250	3,839,000	--
Illinois.....	7,998,850	14,223,000	--
Indiana.....	11,392,940	13,039,000	--
Iowa.....	4,533,740	8,679,000	--
Kansas.....	2,914,500	6,488,000	--
Kentucky.....	20,460,990	21,760,000	--
Louisiana.....	22,800,800	16,307,000	--
Maine.....	30,853,450	5,590,000	--
Maryland.....	12,158,390	5,625,000	--
Massachusetts.....	3,065,850	5,147,000	--
Michigan.....	21,614,270	16,666,000	--
Minnesota.....	11,755,380	10,722,000	--
Mississippi.....	11,205,280	17,203,000	--
Missouri.....	15,232,320	14,083,000	--
Montana.....	2,364,650	3,074,000	--
Nebraska.....	1,255,820	4,285,000	--
Nevada.....	5,807,750	1,120,000	--
New Hampshire.....	3,188,000	2,780,000	--
New Jersey.....	12,684,690	3,961,000	--
New Mexico.....	6,269,610	6,021,000	--
New York.....	18,300,890	16,006,000	--
North Carolina.....	44,317,030	28,062,000	--
North Dakota.....	232,000	2,715,000	--
Ohio.....	8,918,950	20,024,000	--
Oklahoma.....	4,056,500	10,264,000	--
Oregon.....	2,368,080	7,005,000	--
Pennsylvania.....	7,253,180	22,252,000	--
Rhode Island.....	952,220	1,120,000	--
South Carolina.....	26,800,950	15,361,000	--
South Dakota.....	5,205,930	3,707,000	--
Tennessee.....	15,809,880	18,931,000	--
Texas.....	17,473,580	32,558,000	--
Utah.....	2,392,000	2,241,000	--
Vermont.....	1,840,000	2,411,000	--
Virginia.....	9,244,730	17,424,000	--
Washington.....	12,550,980	8,083,000	--
West Virginia.....	8,673,270	11,664,000	--
Wisconsin.....	8,883,270	11,226,000	--
Wyoming.....	--	1,685,000	--
Puerto Rico.....	160,000	31,412,000	--
Trust Territories..	--	1,100,000	--
Virgin Islands.....	--	1,100,000	--
Total, Available or Estimate.....	<u>554,898,880</u>	<u>554,900,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Housing Insurance Fund

Farm Labor Housing Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	--	170,000	--
Arizona.....	--	170,000	--
Arkansas.....	135,000	428,000	--
California.....	6,908,505	4,394,000	--
Connecticut.....	--	170,000	--
Florida.....	738,000	1,249,000	--
Hawaii.....	--	184,000	--
Idaho.....	--	170,000	--
Louisiana.....	--	170,000	--
Maine.....	383,000	170,000	--
Maryland.....	150,000	170,000	--
Massachusetts.....	81,280	170,000	--
Michigan.....	893,250	861,000	--
Minnesota.....	--	170,000	--
Mississippi.....	107,000	209,000	--
Nevada.....	--	170,000	--
New Hampshire.....	239,230	170,000	--
New Jersey.....	475,000	170,000	--
New Mexico.....	--	170,000	--
New York.....	--	170,000	--
North Carolina.....	--	170,000	--
Oregon.....	--	170,000	--
Tennessee.....	--	170,000	--
Texas.....	222,600	170,000	--
Utah.....	--	170,000	--
Vermont.....	283,320	171,000	--
Virginia.....	--	170,000	--
Washington.....	--	414,000	--
Wisconsin.....	69,600	170,000	--
Total, Available or Estimate.....	<u>10,685,785</u>	<u>11,480,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Housing Insurance Fund

Rural Rental Assistance Payments

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	6,230,508	8,163,733	--
Alaska.....	397,692	961,089	--
Arizona.....	2,640,233	2,949,549	--
Arkansas.....	7,611,383	5,700,252	--
California.....	15,664,646	16,415,842	--
Colorado.....	3,976,920	2,319,870	--
Connecticut.....	1,933,225	1,646,003	--
Delaware.....	530,256	861,666	--
Florida.....	9,301,574	10,439,415	--
Georgia.....	7,810,229	7,611,383	--
Hawaii.....	265,128	541,303	--
Idaho.....	3,490,852	5,269,419	--
Illinois.....	10,055,151	9,478,326	--
Indiana.....	8,097,451	8,075,357	--
Iowa.....	7,788,135	6,738,670	--
Kansas.....	4,175,766	2,938,502	--
Kentucky.....	7,909,652	7,810,229	--
Louisiana.....	10,052,770	7,047,986	--
Maine.....	7,920,699	6,042,709	--
Maryland.....	4,032,155	3,568,181	--
Massachusetts.....	1,193,076	1,590,768	--
Michigan.....	10,262,663	10,461,509	--
Minnesota.....	8,362,579	6,009,568	--
Mississippi.....	13,665,139	9,765,548	--
Missouri.....	6,539,824	4,915,915	--
Montana.....	1,612,862	1,988,460	--
Nebraska.....	2,176,259	1,889,037	--
Nevada.....	2,607,092	1,402,969	--
New Hampshire.....	1,027,371	1,546,580	--
New Jersey.....	3,336,194	2,783,844	--
New Mexico.....	3,280,959	2,706,515	--
New York.....	5,744,440	6,462,495	--
North Carolina.....	11,820,290	11,367,363	--
North Dakota.....	3,855,403	2,640,233	--
Ohio.....	7,070,080	11,312,128	--
Oklahoma.....	6,219,461	4,628,693	--
Oregon.....	5,821,769	4,960,103	--
Pennsylvania.....	6,031,662	8,605,613	--
Rhode Island.....	220,940	397,692	--
South Carolina.....	5,435,124	5,335,701	--
South Dakota.....	7,545,101	4,926,962	--
Tennessee.....	5,169,996	6,716,576	--
Texas.....	14,151,207	13,223,259	--
Utah.....	1,402,969	1,248,311	--
Vermont.....	276,175	751,196	--
Virginia.....	3,203,630	6,219,461	--
Washington.....	6,749,717	6,363,072	--
West Virginia.....	4,065,296	6,164,226	--
Wisconsin.....	5,589,782	5,788,628	--
Wyoming.....	983,183	1,104,700	--
Puerto Rico.....	--	6,827,046	--
Trust Territories..	--	265,128	--
Virgin Islands.....	--	361,217	--
Total, Available or Estimate.....	<u>275,304,668</u>	<u>275,310,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Credit Insurance Fund:

- For direct and guaranteed loans as authorized by 7 U.S.C. 1928-1929, to be available from funds in the Agricultural Credit Insurance Fund, as follows:
- 1 [farm ownership loans, \$505,000,000 of which \$390,000,000 shall be guaranteed loans; \$14,000,000 for water development, use, and conservation loans of which \$3,000,000 shall be guaranteed loans] guaranteed farm ownership loans, \$100,000,000; operating loans, [\$3,300,000,000] \$4,000,000,000, of which [\$2,400,000,000] \$3,500,000,000 shall be
 - 2 guaranteed loans; [Indian tribe land acquisition loans as authorized by 25 U.S.C. 488, \$2,000,000;] and for emergency insured and guaranteed loans, [\$600,000,000] \$100,000,000 to meet the needs resulting from natural
 - 3 disasters [, of which \$12,000,000 shall be transferred to the Commodity Credit Corporation for payments to be made to cover the difference between the partial payment and the amount of the full claim under provisions of the Farm Disaster Assistance Act of 1987 (Public Law 100-45): Provided, That notwithstanding any provision of the law the Secretary shall execute and deliver a quit claim deed to Tennessee State University for approximately ninety acres obtained by foreclosure and recorded in book 233, page 56 of the register of deeds of Warren County, Tennessee].

For an additional amount to reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), [\$3,627,153,000] \$3,467,596,000.

The first change deletes this language since no programs are proposed for direct farm ownership loans and soil and water loans in fiscal year 1989.

The second change deletes this language since no program is proposed for Indian tribe land acquisition loans in fiscal year 1989.

The third change deletes this language which was intended as a one-time transfer to the Commodity Credit Corporation. To finance disaster payments in the form of generic, negotiable commodity certificates redeemable from stocks of commodities held by the Commodity Credit Corporation, \$12,000,000 will be transferred from the Agricultural Credit Insurance Fund to the Commodity Credit Corporation and the loan limitation available for the Farmers Home Administration emergency disaster loan program will be reduced by the same amount.

Agricultural Credit Insurance Fund

(a) On Basis of Loan Levels

Program Loan Levels, 1988.....	\$4,418,156,000
Program Loan Levels, 1989.....	4,200,000,000
Decrease in Loan Levels.....	<u>-218,156,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of loan levels)

Item of Change	1988 Authorized	Program Changes	1989 Estimated
Farm ownership loans:			
Insured.....	\$ 115,000,000	-\$ 115,000,000	--
Guaranteed.....	640,000,000 ^{a/}	-540,000,000	\$ 100,000,000 ^{a/}
Farm operating loans:			
Insured.....	900,000,000	-400,000,000	500,000,000
Guaranteed.....	2,150,000,000 ^{a/}	+1,350,000,000	3,500,000,000 ^{a/}
Emergency disaster loans....	588,000,000 ^{b/}	-488,000,000	100,000,000
Soil and water loans:			
Insured.....	11,000,000	-11,000,000	--
Guaranteed.....	3,000,000	-3,000,000	--
Indian tribe land			
acquisition loans.....	2,000,000	-2,000,000	--
Watershed protection and			
flood prevention loans....	7,949,000	-7,949,000	--
Resource conservation and			
development loans.....	1,207,000	-1,207,000	--
TOTAL.....	4,418,156,000	-218,156,000	4,200,000,000

a/ The Agricultural Credit Act of 1987 provides that the Secretary may transfer such amounts as may be necessary from farm operating guaranteed loans to farm ownership guaranteed loans. The Agency transferred \$250,000,000 in fiscal year 1988 and proposes a transfer will be made in fiscal year 1989 if necessary to fund loans for the purchase of farm credit system land.

b/ Includes a \$12,000,000 transfer from the emergency disaster loan program to the Commodity Credit Corporation as provided by P.L. 100-202.

PROJECT STATEMENT
(On basis of loan levels)
(In thousands of dollars)

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
Farm ownership loans:				
Insured.....	\$ 74,999	\$ 115,000	-\$115,000(1):	--
Guaranteed.....	324,419	640,000 ^{a/}	-540,000(2):	\$ 100,000 ^{a/}
Farm operating loans:				
Insured.....	1,298,281	900,000	-400,000(3):	500,000
Guaranteed.....	1,240,738	2,150,000 ^{a/}	+1,350,000(4):	3,500,000 ^{a/}
Emergency disaster loans.....	113,613	588,000 ^{b/}	-488,000(5):	100,000
Soil and water loans:				
Insured.....	4,200	11,000	-11,000(6):	--
Guaranteed.....	335	3,000	-3,000(6):	--
Indian tribe land acquisition loans.....	2,000	2,000	-2,000(7):	--
Watershed protection and flood prevention loans.....	148	7,949	-7,949(8):	--
Resource conservation and development loans.....	--	1,207	-1,207(9):	--
TOTAL.....	3,058,735	4,418,156	-218,156	4,200,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

^{a/} The Agricultural Credit Act of 1987 provides that the Secretary may transfer such amounts as may be necessary from farm operating guaranteed loans to farm ownership guaranteed loans. The Agency transferred \$250,000,000 in fiscal year 1988 and proposes a transfer will be made in fiscal year 1989 if necessary to fund loans for the purchase of farm credit system land.

^{b/} Includes a \$12,000,000 transfer from the emergency disaster loan program to the Commodity Credit Corporation as provided by P.L. 100-202.

EXPLANATION OF PROGRAM

This fund is used to insure or guarantee farm ownership, soil and water, farm operating, emergency, Indian tribe land acquisition, watershed protection, flood prevention, and resource conservation and development loans.

Public Law 92-419, approved August 30, 1972, abolished the Farmers Home Administration Direct Loan Account and the Emergency Credit Revolving Fund and provided for transfer of the assets and liabilities of, and authorizations applicable to, these accounts to the Agricultural Credit Insurance Fund. It also provided for transfer from the Agricultural Credit Insurance Fund to the Rural Development Insurance Fund of the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities.

Real Estate Loans

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for farm ownership loans, recreation loans, and soil and water loans to individuals, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States. Soil and water and recreation loans are each contained as a separate type of loan because the law sets forth eligibility requirements for these loans that differ somewhat from the eligibility requirements for farm ownership loans. In most respects, however, soil and water, recreation and farm ownership loans are subject to similar authorizations and limitations but not purposes. Insured loan borrowers are required to graduate to other credit sources when they are able to do so.

Farm Ownership Loans. Farm ownership loans, accompanied by supervisory assistance in farm and financial management, preserve and improve the family farm pattern of American agriculture and strengthen the economy of rural communities.

Farm ownership loans are used for:

1. Maintaining family farms: Farm ownership loans help owner-operators restructure their debts, including those who are highly leveraged who utilize their real estate equities to refinance heavy short-term debts. In other instances, the owner-operators use real estate credit and assistance to make further adjustments in their operations, to comply with local sanitation and pollution abatement requirements, to keep up with advances in agricultural technology, to better utilize their land and labor resources and to meet changing market requirements. Farm ownership loans may be used to finance income producing recreational enterprises or other nonfarm enterprises which supplement but do not supplant farm income.
2. Purchase and development of farms: One of the functions of the farm ownership loan program is to assist farmers, especially beginning farmers, in the purchase and enlargement of farms. Applicants eligible for these loans may use this assistance for combining small tracts of land, making basic soil improvements, establishing permanent pastures, improving dwellings and essential farm buildings, developing land and water, controlling pollution, producing or saving energy, adding a nonfarm enterprise and taking other measures to increase the efficiency and income-producing capacity of their holdings.

Farm ownership loans are made to eligible individuals, cooperatives, corporations, partnerships or joint operators who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become owner-operators of not larger than family farms, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides for loans for similar purposes and periods of time.

Loans are made for 40 years or less. An insured loan may not exceed \$200,000 and a guaranteed loan may not exceed \$300,000. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than five percent per year. The applicable interest rate is increased by two percent if the project being financed involves the use of prime farm land for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest buy-down program.

Soil and Water Loans. Soil and water loans are made to individuals, cooperatives, corporations, partnerships or joint operators who own and/or operate a farm. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms prevailing in the community where the farm is located.

Soil and water loans may be made for soil conservation, development and use; forestation; drainage of farmland; establishment of permanent pasture; pollution control and energy saving measures. The loan limit is \$200,000 for an insured loan and \$300,000 for a guaranteed loan. The repayment period may be up to 40 years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for nonfarm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Operating Loans

Subtitle B of the Consolidated Farm and Rural Development Act contains the authorization for insured and guaranteed operating loans. Operating loans made by the Farmers Home Administration are accompanied by supervisory assistance in farm and financial management. Operating credit is needed by family farmers throughout the United States, who are unable to obtain credit from private and cooperative sources, to develop or maintain a reasonable standard of living. The use of operating loan funds for this purpose helps provide opportunity for farm operators to conduct successful farm operations.

Loans are made to assist (1) full-time and part-time operators to continue in agriculture and to improve their farm and home operations, (2) part-time farm operators to convert their farming operations to full-time and to improve their income and level of living while continuing to live in rural areas, (3) young farmers who lack the necessary credit to acquire the resources needed for success, and (4) rural youths.

Operating loans are made to individuals, partnerships, corporations, cooperatives or joint operators who operate not larger than family-size farms or ranches, who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become operators of not larger than family farms, except for rural youths, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides, for loans for similar purposes and periods of time.

Operating loans may be made for paying costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other nonfarm enterprises; and refinancing existing indebtedness.

The loan limit is \$200,000 for an insured loan and \$400,000 for a guaranteed loan. Operating loans may be scheduled for payment over periods from 1 to 7 years depending on loan purposes. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest at a rate three percent below the cost-of-money. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for nonfarm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest buy-down program.

Insured loan borrowers are encouraged to supplement their operating loans with credit from other sources when this is feasible. They are required to graduate to other credit sources when able to do so.

Emergency Disaster Loans

Emergency loans are made available in designated areas (counties) and in contiguous counties where property damage and/or severe production losses have occurred as a direct result of a natural disaster. Areas may be declared by the President or designated for emergency loan assistance by the Secretary of Agriculture.

Emergency loans are made to established, eligible, family size farmers, ranchers and aquaculture operators. Partnerships and private domestic corporations and cooperatives may also qualify, providing they are primarily engaged in agricultural or aquacultural production. Loans may be made only for actual losses arising from natural disasters. A farmer who cannot receive credit elsewhere is eligible for an actual loss loan of up to \$500,000 or the calculated actual loss, whichever is less, for each disaster at an interest rate

of four and one-half percent. Language contained in the Food Security Act of 1985 (7 U.S.C. 1961) limits emergency loans to losses for which crop insurance is unavailable.

Actual loss loans may be made for physical losses to repair, restore or replace damaged or destroyed farm property, livestock and livestock products, and supplies, and for production losses to compensate for loss of income based on reduced production of crops and/or livestock products resulting from the disaster. Eligible farmers may use actual loss loan funds to purchase livestock, poultry, or other animals and pay costs incident to reorganizing a farming system to make it a sound operation. The reorganized farming operation, however, must be approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishings and for limited refinancing of debts.

Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies and equipment may be scheduled for repayment for up to seven years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when more than seven years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

Loans to Associations and Groups

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorization for Indian tribe land acquisition loans. In addition, watershed works of improvement and flood prevention loans are made to associations under the Watershed Protection Act, as amended (Public Law 83-566), and resource conservation and development loans are made to associations under section 102 of Public Law 87-703, and other existing Departmental authorities.

Indian Tribe Land Acquisition Loans. Public Law 91-229, approved April 11, 1970, authorized loans to any Indian tribe recognized by the Secretary of the Interior or tribal corporation established pursuant to the Indian Reorganization Act, which does not have adequate uncommitted funds, to acquire lands or interest in lands within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior, for use of the tribe or the corporation or the members thereof. Loans are made for 40 years or less. The interest rate for these loans is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government, plus up to one percent additional, except, those tribes that are unable to pay the higher rate may be charged a lower interest rate.

Watershed Works of Improvement and Flood Prevention Loans. Loans are made to local organizations for financing the local share of the cost of installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. FmHA has been assigned responsibility for making these loans to sponsors of such projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. For any single plan for works of improvement, the amount of the loan may not exceed \$10 million.

Resource Conservation and Development Loans. Loans are made to local sponsoring organizations when needed for financing the local share of the cost of installing, repairing or improving works of improvement, purchasing sites or rights-of-way and for related costs in approved resource conservation and development projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of resource conservation and development projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for development work. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 30 years. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

JUSTIFICATION OF INCREASES AND DECREASES

Conditions in the farm economy indicate a critical need for FmHA credit services as a lender of last resort. The adequate servicing and supervision of delinquent farmer program loans to assist borrowers to overcome financial and management difficulties and to protect the Government's interest is, and continues to be, a prime concern of FmHA. The Agency makes every effort possible to assist financially pressed farm borrowers to overcome their difficulties. FmHA has found it necessary, during recent times of economic stress, to assist applicants and borrowers to remain in farming with some of the most lenient lending policies in its history.

FmHA has undertaken a number of initiatives to expand the use of guaranteed lending. Among them are:

- (1) Debt adjustment program. The objective of the debt adjustment program is to provide lenders with a tool enabling them to continue to provide credit to operators of not larger than family farms who do not have the ability to repay their loans and/or do not have adequate security for their loans without debt adjustment.
- (2) Interest buy-down program. The objective of the interest buy-down program is to afford farmers an opportunity to borrow money or continue a loan at two to four points less than the lenders' going rate. FmHA will "buy-down" one or two points to match a reduction by the lender. In addition, in accordance with the Agricultural Credit Act of 1987, P.L. 100-233, a demonstration project will be undertaken in which certificates of eligibility may be issued to FmHA eligible borrowers to reduce the interest rate paid by the borrowers on loans obtained from legally organized lending institutions and Farm Credit System institutions to purchase acquired properties owned by institutions of the Farm Credit System certified to issue preferred stock under section 6.27 of the Farm Credit Act of 1971. Such certificates may be used to reduce the interest rate payable by an eligible borrower on a guaranteed loan by not more than four percent.
- (3) Operation Assist. Operation Assist is a referral and outreach program that will help farmers obtain operating credit under FmHA's guaranteed loan program.
- (4) Line of credit authority. This authority allows a farmer to establish a line of credit with a participating lender for certain guaranteed farm operating loan purposes.

The FY 1989 budget proposes to continue the shift to guaranteed lending. The focus on guaranteed lending will facilitate graduations of loans from FmHA to private lenders, and the transfer of most loan making responsibilities to private lenders would enable FmHA to concentrate on providing supervised credit assistance to needy borrowers, insure an effective guarantee/graduation process, and allow for improved servicing of the existing portfolio. Also, the interest rate reduction program for the guaranteed loan programs in the Agricultural Credit Insurance Fund will continue through 1993 as provided in the Agricultural Credit Act of 1987.

The following adjustments result in a net decrease of \$218,156,000 for loan programs financed through the Agricultural Credit Insurance Fund.

- (1) A decrease of \$115,000,000 for insured farm ownership loans (\$115,000,000 available in 1988).

Need for Change. New real estate lending will be terminated because the priority problem to be addressed is the need for operating credit. Real estate credit for existing FmHA borrowers will continue to be available through reamortization and rescheduling of loans secured by real estate.

Nature of Change. This program will be terminated to give priority to operating credit needs.

- (2) A decrease of \$540,000,000 for guaranteed farm ownership loans (\$640,000,000 available in 1988).

Need for Change. A minimum program will be maintained to facilitate graduation of FmHA borrowers to private sector credit sources. The Agricultural Credit Act of 1987 authorizes the transfer of funds from guaranteed farm operating loans to guaranteed farm ownership loans. In FY 1988, the Agency transferred an amount of \$250,000,000 and proposes a transfer will be made in fiscal year 1989 if necessary to fund loans for purchases of farm credit system land.

Nature of Change. This program will be maintained at a minimum level to give priority to operating credit needs.

- (3) A decrease of \$400,000,000 for insured farm operating loans (\$900,000,000 available in 1988).

Need for Change. The Agency will make maximum use of the guaranteed operating loan program, in lieu of the subsidized direct loan program, to facilitate participation of the private agricultural credit sector.

Nature of Change. The program level will provide 11,900 insured loans in FY 1989.

- (4) An increase of \$1,350,000,000 for guaranteed farm operating loans (\$2,150,000,000 available in 1988).

Need for Change. The Agency will make use of the guaranteed operating loan program to facilitate participation of the private agricultural credit sector. Operation Assist, line of credit authority, and an interest buy down program will increase participation of lenders in the guaranteed loan program.

Also, the Agency has coordinated and worked with the Farm Credit Administration and private lenders to increase participation in the guaranteed loan area. The shift toward guaranteed lending will facilitate

graduation of FmHA borrowers to private sector credit sources and focus FmHA staff resources on servicing requirements of its delinquent borrowers. The Agricultural Credit Act of 1987 authorizes the transfer of funds from guaranteed farm operating loans to guaranteed farm ownership loans. In FY 1988, the Agency transferred an amount of \$250,000,000 and proposes a transfer will be made in fiscal year 1989 if necessary to fund loans for the purchase of farm credit system land.

Nature of Change. The program level will provide 38,400 guaranteed loans in FY 1989.

- (5) A decrease of \$488,000,000 for emergency disaster loans (\$588,000,000 available in 1988).

Need for Change. This program will be maintained at a minimum level to fund emergency actual loss loans for which federal crop insurance is unavailable. Federal Crop Insurance is available to farmers for most crops in virtually all agricultural counties in the country for losses caused by natural hazards and disasters.

Nature of Change. The level of \$100,000,000 reflects the anticipated level of emergency loans which may be required.

- (6) A decrease of \$11,000,000 for insured and \$3,000,000 for guaranteed soil and water loans (\$14,000,000 available in 1988).

Need for Change. Elimination of the insured and guaranteed soil and water loan programs are proposed in redirection of Agency lending to the guaranteed operating lending function. Some activities funded under the soil and water loan program may be funded through the insured and guaranteed operating lending program.

Nature of Change. No program is proposed in FY 1989.

- (7) A decrease of \$2,000,000 for Indian tribe land acquisition loans (\$2,000,000 available in 1988).

Need for Change. These loans are limited to the acquisition of land within the defined boundaries of a tribe's reservation. Most of the available land has been acquired by the loans now outstanding.

Nature of Change. No program level is proposed in FY 1989.

- (8) A decrease of \$7,949,000 for watershed protection and flood prevention loans (\$7,949,000 available in 1988).

Need for Change. The watershed protection and flood prevention loan programs represent a minor portion of the Agency's total funding for programs funded through the Agricultural Credit Insurance Fund. In FY 1987, only one loan was obligated in the amount of \$148,200.

Nature of Change. No program level is proposed in FY 1989.

- (9) A decrease of \$1,207,000 for resource conservation and development loans (\$1,207,000 available in 1988).

Need for Change. The resource conservation and development loan program represents a minor portion of the Agency's total funding for programs funded through the Agricultural Credit Insurance Fund. No loans were obligated in FY 1987.

Nature of Change. No program level is proposed in FY 1989.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1988.....	\$3,615,153,000
Budget Estimate, 1989.....	3,467,596,000
Decrease in Appropriation.....	<u>-147,557,000</u>

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1987 Actual	1988 Actual	Increase or Decrease	1989 Estimated
Reimbursement for Interest				
Subsidies and Losses:				
Farm ownership loans.....	\$ 766,478	\$ 608,953	+\$252,447	\$ 861,400
Farm operating loans.....	283,657	654,084	+145,660	799,744
Recreation loans.....	6,876	11,607	-2,462	9,145
Emergency disaster loans.....	717,792	853,829	+323,429	1,177,258
Emergency livestock loans.....	3,486	2,114	+365	2,479
Economic emergency loans.....	226,887	334,296	+200,588	534,884
Soil and water conser- vation loans.....	18,302	23,066	+6,589	29,655
Irrigation and drainage loans.....	2,064	3,213	-659	2,554
Grazing loans.....	4,522	6,023	-449	5,574
Indian tribe land acquisition loans.....	6,908	8,830	+203	9,033
Watershed protection and flood prevention loans.....	7,431	9,006	-311	8,695
Resource conservation and development loans.....	1,605	3,139	-1,146	1,993
Inactive loan programs.....	33	33	+149	182
Total Losses.....	2,046,041	2,518,193	+924,403(1)	3,442,596
Appropriation for FY 1984 losses not reimbursed in FY 1986.....	+399,322	--	--	--
Amount of losses not appropriated in FY 1987.....	-1,121,960	--	--	--
Appropriation for FY 1985 losses not reimbursed in FY 1987.....	--	+1,121,960	-1,121,960(2)	--
Amount of losses not appropriated in FY 1988.....	--	-25,000	+25,000	--
Appropriation for FY 1986 losses not reimbursed in FY 1988.....	--	--	+25,000(3)	+25,000
Total Appropriation.....	1,323,403	3,615,153	-147,557	3,467,596

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Agricultural Credit Insurance Fund for funded interest subsidies and losses incurred in fiscal years 1986 and 1987.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$924,403,000 for reimbursement for interest subsidies and losses incurred in 1987 (\$2,518,193,000 in interest subsidies and losses incurred in 1986).

Need for Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1987. Interest subsidies resulted primarily from interest costs incurred due to the difference between the interest rate paid by the borrower and the rate the Government is charged to borrow money. Until the passage of the Agricultural Credit Act of 1978, Public Law 95-334, August 4, 1978, many of the loans made from this Fund had been subject to interest rates in effect since 1954. Most of these rates were below the Government's cost-of-money. Limited resource borrowers may be charged interest at a rate lower than the cost-of-money interest rate.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1987.

- (2) A decrease of \$1,121,960,000 for reimbursement of interest subsidies and losses incurred in FY 1985, not reimbursed in FY 1987.

Need for Change. The amount of losses not appropriated in FY 1987 for FY 1985 losses was \$1,121,960,000.

Nature of Change. The amount of interest subsidies and losses incurred in FY 1985 was reimbursed in FY 1988.

- (3) An increase of \$25,000,000 for reimbursement of interest subsidies and losses incurred in FY 1986, not reimbursed in FY 1988.

Need for Change. The amount of losses not appropriated in FY 1988 for FY 1986 losses was \$25,000,000.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1986 that were not reimbursed in FY 1988.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Estimated</u>	<u>1988</u> <u>Estimated</u>
Cash balance, beginning of year.....	\$ 15,077	\$1,079,770	\$3,012,405
Outlays.....	<u>-2,563,710</u>	<u>-2,123,518</u>	<u>-1,823,677</u>
Funds for financing:			
Appropriation for reimbursement			
of interest subsidies and losses.....	1,323,403	3,615,153	3,467,596
Treasury borrowings.....	5,725,000	7,800,000	9,650,000
Repayment of borrowings from Treasury..	-3,035,000	-6,974,000	-9,361,500
FFB borrowings.....	--	--	--
Repayment of borrowings from FFB.....	<u>-385,000</u>	<u>-385,000</u>	<u>-3,960,000</u>
Net financing	<u>3,628,403</u>	<u>4,056,153</u>	<u>-203,904</u>
Cash balance, end of year.....	<u>1,079,770</u>	<u>3,012,405</u>	<u>984,824</u>

Change in Accounting Procedures

Accounting procedures of the Agency have been changed at the recommendation of GAO's audit on FmHA Financial Statements (B-226249) and to present financial statements in accordance with generally accepted accounting principles for Federal agencies. This accounting change is intended to more fully reflect the current estimated value of the portfolio, including loans receivable, interest receivable, and acquired inventory property. These new procedures are based on current market conditions rather than purely historical factors. This is an accounting change only and will not have a budgetary impact.

Estimated valuation of these Agency assets will be reviewed annually to insure loan portfolios and acquired inventory properties are reflected properly each year at their current estimated market value.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In thousands of Dollars)

	Income			Expense			Net Total	
	Interest	Other	Total	Interest	Write- offs	Other		Total
1987 Actual								
Farm ownership loans	\$ 498,688	\$13,848	\$ 512,536	\$1,180,702	\$115,832	\$ 77,402	\$1,373,936	\$ -861,400
Farm operating loans	445,679	7,802	453,481	986,531	208,797	57,897	1,253,225	-799,744
Recreation loans	3,748	12	3,760	10,107	2,275	523	12,905	-9,145
Emergency disaster loans	756,083	13,844	769,927	1,448,467	370,929	127,789	1,947,185	-1,177,258
Emergency livestock loans	458	1	459	152	--	2,786	2,938	-2,479
Economic emergency loans	361,593	7,285	368,878	588,228	232,617	82,917	903,762	-534,884
Soil and water conservation loans	22,505	684	23,189	43,826	5,410	3,608	52,844	-29,655
Irrigation and drainage loans	873	3	876	2,823	108	499	3,430	-2,554
Grazing loans	2,705	9	2,714	7,776	--	512	8,288	-5,574
Indian tribe land acquisition loans	4,782	14	4,796	13,305	--	524	13,829	-9,033
Watershed protection and flood prevention loans	3,152	12	3,164	11,168	172	519	11,859	-8,695
Resource conservation and development loans	875	3	878	2,373	--	498	2,871	-1,993
Inactive loan programs	-34	--	-34	30	118	--	148	-182
TOTAL	2,101,107	43,517	2,144,624	4,295,488	936,258	355,474	5,587,220	-3,442,596

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In thousands of Dollars)

	Income		Expense				Net Total
	Interest	Other	Total	Interest	Write- offs	Other	Total
1988 Estimated							
Farm ownership loans	\$ 509,938	\$10,956	\$ 520,894	\$1,211,430	\$ 164,375	\$ 95,337	\$1,471,142
Farm operating loans	455,593	6,173	461,766	1,012,242	296,326	71,339	1,379,907
Recreation loans	3,866	10	3,876	10,136	3,189	657	13,982
Emergency disaster loans	772,855	10,952	783,807	1,485,973	526,611	157,435	2,170,019
Emergency livestock loans	430	--	430	--	--	3,416	3,416
Economic emergency loans	369,673	5,764	375,437	603,291	330,211	102,169	1,035,671
Soil and water conservation loans	22,984	541	23,525	44,949	7,707	4,423	57,079
Irrigation and drainage loans	859	4	863	3,085	133	613	3,831
Grazing loans	2,792	7	2,799	7,932	--	613	8,545
Indian tribe land acquisition loans	4,941	10	4,951	13,661	--	657	14,318
Watershed protection and flood prevention loans	3,222	10	3,232	11,458	266	657	12,381
Resource conservation and development loans	859	3	862	2,644	--	613	3,257
Inactive loan programs	--	--	--	--	--	--	--
TOTAL	2,148,012	34,430	2,182,442	4,406,801	1,328,818	437,929	6,173,548
							-3,991,106

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income		Total	Interest		Write-offs		Expense		Net	
	Interest	Other		Interest	Other	Interest	Other	Interest	Other	Interest	Total
1989 Estimated											
Farm ownership loans	\$ 523,897	\$11,877	\$ 535,774	\$1,132,467	\$ 96,495	\$110,350	\$1,339,312	\$		\$ -803,538	
Farm operating loans	468,064	6,692	474,756	946,263	173,956	82,573	1,202,792			-728,036	
Recreation loans	3,972	11	3,983	9,475	1,872	760	12,107			-8,124	
Emergency disaster loans	794,010	11,873	805,883	1,389,115	309,142	182,228	1,880,485			-1,074,602	
Emergency livestock loans	441	--	441	--	--	3,954	3,954			-3,513	
Economic emergency loans	379,792	6,248	386,040	563,968	193,847	118,258	876,073			-490,033	
Soil and water conservation loans	23,613	586	24,199	42,019	4,524	5,119	51,662			-27,463	
Irrigation and drainage loans	883	4	887	2,884	78	710	3,672			-2,785	
Grazing loans	2,869	8	2,877	7,415	--	710	8,125			-5,248	
Indian tribe land acquisition loans	5,076	11	5,087	12,771	--	760	13,531			-8,444	
Watershed protection and flood prevention loans	3,310	11	3,321	10,710	156	760	11,626			-8,305	
Resource conservation and development loans	883	4	887	2,472	--	710	3,182			-2,295	
Inactive loan programs	--	--	--	--	--	--	--			--	
TOTAL	2,206,810	37,325	2,244,135	4,119,559	780,070	506,892	5,406,521			-3,162,386	

The following schedules present an analysis of outlays by loan program for fiscal years 1987, 1988 and 1989.

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1987 Actual
(In Thousands of Dollars)

	Operating: Loans	Farm Ownership: Loans	Soil & Water: Loans	Indiv.: Loans	Graz- ing: Loans	Recreation: Loans	Irrig.: Drain.: Loans	Resource: & Cons. Dev.: Loans	Flood & Water: Loans	Indian: Land: Loans	Emergency: Disaster: Loans	Live- Stock: Loans	Economic: Emergency: Loans	Inac- tive: Loans	Total
<u>Funds for program operations:</u>															
<u>Funds expended:</u>															
Loans made by the fund.....	\$1,281,387:	\$ 97,526:	\$ 4,132:	—:	—:	—:	—:	\$ 87:	\$ 4,330:	\$ 706:	\$ 118,307:	—:	\$ 4:	—:	\$1,506,479
Purchase of loans and certificates of beneficial ownership:															
Collections disbursed to investors.....	3,576:	10,720:	292:	\$1,560:	\$ 341:	\$ 3:	2:	17:	440:	5,429:	—:	—:	115:	—:	22,495
Interest expense.....	7:	7,992:	22:	712:	666:	51:	26:	456:	43:	—:	—:	—:	—:	—:	9,975
Loss settlement, guaranteed loans.....	969,617:	1,167,345:	43,824:	7,797:	10,038:	2,513:	2,364:	11,113:	13,299:	1,449,085:	—:	—:	586,945:	\$ 30:	4,263,970
Interest buy-down.....	40,844:	12,201:	—:	—:	—:	—:	—:	—:	—:	—:	\$1,772:	22,933:	—:	—:	77,750
Administrative expense.....	957:	316:	—:	—:	—:	—:	—:	—:	—:	—:	—:	—:	—:	—:	1,273
Other.....	6,422:	4,149:	850:	723:	—:	103:	477:	—:	51,743:	3,092:	11,922:	—:	—:	—:	79,481
	12,608:	58,481:	1,111:	144:	159:	8:	6:	28:	51:	48,852:	69:	16,317:	—:	—:	137,834
Total funds expended.....	2,315,418:	1,358,730:	50,231:	10,213:	11,927:	2,575:	2,588:	16,421:	14,539:	1,673,416:	4,933:	638,236:	30:	6,099,257	
<u>Funds received:</u>															
Repayments on loans.....	1,556,770:	263,250:	13,432:	1,581:	4,083:	379:	638:	2,887:	1,097:	405,144:	—:	—:	129,875:	34:	2,379,170
Payment of interest on loans.....	269,870:	317,479:	12,406:	1,964:	3,450:	474:	737:	2,823:	4,562:	259,274:	—:	—:	157,599:	-7:	1,030,631
Collections received for investors.....	—:	7,358:	23:	642:	719:	49:	29:	156:	50:	—:	—:	—:	—:	—:	9,026
Insurance premiums and guarantee fees.....	8,820:	1,838:	—:	—:	—:	—:	—:	—:	—:	—:	—:	—:	—:	—:	10,658
Other.....	6,215:	41,965:	1,020:	140:	30:	16:	3:	14:	113:	37,076:	15:	19,555:	—:	—:	106,062
Total funds received.....	1,841,675:	631,790:	26,881:	4,327:	8,282:	918:	1,407:	5,880:	5,822:	701,494:	15:	307,029:	27:	3,535,547	
OUTLAYS.....	473,743:	726,940:	23,350:	5,886:	3,645:	1,657:	1,181:	10,541:	8,717:	971,922:	4,918:	331,207:	3:	2,563,710	

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program

Fiscal Year 1988 Estimated
(In Thousands of Dollars)

	Operating: Loans	Farm Ownership: Loans	Soil & Water: Loans	Indiv.: Loans	Grazing: Loans	Recreation: Loans	Irrigation: Loans	Resource: & Cons. Dev.:	Flood & Water: Loans	Indian: Land: Loans	Emergency: Disaster: Loans	Live- Stock: Loans	Economic: Emergency: Loans	Inac- tive: Loans	Total
Funds for program operations:															
Funds expended:															
Loans made by the fund	\$ 946,121	\$ 110,693	\$10,467	---	---	---	---	\$ 620	\$ 6,425	\$ 1,622	\$ 101,019	---	---	---	\$1,176,967
Purchase of loans and certificates of beneficial ownership:															
Collections disbursed to investors	13,618	40,820	1,113	\$5,944	\$ 1,302	---	---	---	69	1,679	20,667	---	\$ 437	---	85,649
Interest expense	6	7,209	19	642	601	\$ 51	23	411	38	---	---	---	---	---	9,000
Loss settlement, guaranteed loans	974,686	1,173,566	44,148	7,715	10,287	2,572	2,143	11,144	13,287	1,456	456	---	590	212	4,286,216
Interest buy-down	57,783	17,259	---	---	---	---	---	---	---	---	---	\$2,508	32	450	110,000
Administrative expense	7,378	3,162	---	---	---	---	---	---	---	---	---	---	---	---	10,540
Other	7,266	4,694	962	---	818	---	117	540	---	58	544	3,498	13	491	89,930
	11,450	49,639	939	117	129	12	---	24	47	---	41,243	59	13	775	117,434
Total funds expended	2,018,308	1,407,042	57,648	14,418	13,137	2,635	2,903	18,613	16,673	1,677	929	6,065	650	365	5,885,736
Funds received:															
Repayments on loans	1,603,035	270,970	13,720	1,715	4,165	490	735	2,940	1,225	417	235	---	133	770	2,450,000
Payment of interest on loans ..	288,090	338,800	13,200	2,090	3,740	550	770	2,970	4,840	276	760	---	168	190	1,100,000
Collections received for investors	---	6,440	21	562	629	43	25	137	43	---	---	---	---	---	7,970
Insurance premiums and guarantee fees	19,645	4,095	---	---	---	---	---	---	---	---	---	---	---	---	23,740
Other	10,582	71,274	1,733	235	54	36	---	18	199	63	130	18	33	299	180,578
Total funds received	1,921,352	691,579	28,674	4,602	8,598	1,119	1,530	6,065	6,307	757	125	18	335	259	3,762,218
OUTLAYS	96,956	715,463	28,974	9,816	4,549	1,516	1,373	12,548	10,366	920	804	6,047	315	106	2,123,518

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program

Fiscal Year 1989 Estimated
(In Thousands of Dollars)

	Operating: Loans	Farm Ownership: Loans	Soil & Water: Loans	Indiv.:	Grazing: Loans	Recreation: Loans	Irrig. & Cons.:	Resource: Dev.:	Flood & Water:	Indian: Land:	Emergency: Disaster:	Live- Stock:	Economic: Emergency:	Inac- tive:	Total
Funds for program operations:															
Funds expended:															
Loans made by the fund	\$ 520,000:	\$ 11,500:	\$ 1,100:						\$ 4,770:	\$ 1,881:	\$ 100,000:				\$ 639,251
Purchase of loans and certificates of beneficial ownership:	41,991:	125,866:	3,433:	\$18,328:	\$ 4,014:				211:	5,176:	63,725:		\$ 1,347:		264,091
Collections disbursed to investors	6:	6,409:	18:	571:	534:	\$ 41:	\$ 21:	366:	34:						8,000
Interest expense	956,979:	1,152,246:	43,346:	7,575:	10,100:	2,525:	2,104:	10,942:	13,046:	1,429,998:			579,490:		4,208,351
Loss settlement, guaranteed loans	89,301:	26,673:										\$ 3,876:	50,150:		170,000
Interest buy-down	26,044:	11,162:													37,206
Administrative expense	4,463:	2,883:	591:		503:		72:	331:			35,960:	2,149:	8,286:		55,238
Other	8,226:	35,663:	675:	84:	93:	8:		17:	34:		29,631:	42:	9,897:		84,370
Total funds expended	1,647,010:	1,372,402:	49,163:	26,558:	15,244:	2,574:	2,197:	16,637:	20,171:	1,659,314:	6,067:	649,170:			5,466,507
Funds received:															
Repayments on loans	1,504,880:	254,380:	12,880:	1,610:	3,910:	460:	690:	2,760:	1,150:		391,690:		125,580:		2,300,000
Payment of interest on loans	307,732:	361,900:	14,100:	2,233:	3,995:	588:	823:	3,172:	5,170:		295,630:		179,657:		1,175,000
Collections received for investors		5,706:	18:	498:	558:	38:	22:	121:	39:						7,000
Insurance premiums and guarantee fees	23,861:	4,974:													28,835
Other	7,735:	52,098:	1,267:	172:	40:	26:		13:	145:		46,146:	13:	24,340:		131,995
Total funds received	1,844,218:	679,088:	28,265:	4,513:	8,503:	1,112:	1,535:	6,066:	6,504:	733,466:	13:	329,577:			3,642,880
OUTLAYS	-197,208:	693,344:	20,898:	22,045:	6,741:	1,462:	662:	10,571:	13,667:	925,848:	6,054:	319,593:			1,823,677

Agricultural Credit Insurance Fund Loan Subsidies
Proposed for Later Transmittal, Proposed Legislation - Credit Reform

Budget Estimate, Current Law, 1989.....	--
Change due to proposed legislation.....	\$74,769,000
Net Request, President's 1989 Budget Request.....	+74,769,000

SUMMARY OF INCREASE - PROPOSED LEGISLATION
(On basis of loan levels)

			FY 1989		
Item of Change	:	Current	:	Program	:
	:	Law	:	Changes	:
	:		:		:
Loan Subsidies.....	:	--	:	+\$74,769,000:	:
				\$74,769,000	

EXPLANATION OF PROPOSED LEGISLATION

Under the Administration's credit reform proposal the farm loan program will continue to be operated by FmHA, although the loans will be disbursed from a new general fund account in Treasury. The additional \$74.8 million requested under this proposal is required to cover the interest subsidy cost related to a loan when it is made, rather than the annual subsidy as it occurs over the life of the loan.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Agricultural Credit Insurance Fund

Farm Ownership Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	5,030,050	11,443,000	1,503,000
Alaska.....	--	660,000	250,000
Arizona.....	374,000	4,210,000	553,000
Arkansas.....	11,182,510	14,392,000	1,891,000
California.....	6,785,230	27,554,000	3,620,000
Colorado.....	5,772,410	10,571,000	1,389,000
Connecticut.....	592,000	2,315,000	305,000
Delaware.....	4,591,840	2,448,000	322,000
Florida.....	1,075,660	10,627,000	1,396,000
Georgia.....	3,629,450	13,153,000	1,728,000
Hawaii.....	949,000	3,384,000	444,000
Idaho.....	4,716,680	9,480,000	1,245,000
Illinois.....	21,697,300	43,849,000	5,760,000
Indiana.....	9,446,640	26,120,000	3,431,000
Iowa.....	40,821,202	53,385,000	7,016,000
Kansas.....	18,779,040	26,955,000	3,541,000
Kentucky.....	12,254,860	25,822,000	3,392,000
Louisiana.....	9,824,280	11,809,000	1,552,000
Maine.....	1,113,010	5,283,000	694,000
Maryland.....	2,834,500	6,593,000	866,000
Massachusetts.....	884,500	2,644,000	347,000
Michigan.....	15,175,170	16,031,000	2,106,000
Minnesota.....	22,357,780	33,929,000	4,457,000
Mississippi.....	8,842,280	11,764,000	1,545,000
Missouri.....	14,362,150	29,720,000	3,904,000
Montana.....	7,757,310	9,548,000	1,254,000
Nebraska.....	13,062,730	27,951,000	3,672,000
Nevada.....	--	3,346,000	440,000
New Hampshire.....	196,000	3,997,000	525,000
New Jersey.....	714,000	3,757,000	494,000
New Mexico.....	1,894,700	5,890,000	774,000
New York.....	4,187,180	13,975,000	1,836,000
North Carolina.....	9,135,530	20,765,000	2,727,000
North Dakota.....	19,910,960	16,842,000	2,213,000
Ohio.....	9,226,580	26,379,000	3,465,000
Oklahoma.....	15,757,200	20,185,000	2,652,000
Oregon.....	3,229,990	9,014,000	1,184,000
Pennsylvania.....	8,404,420	17,249,000	2,266,000
Rhode Island.....	--	1,447,000	190,000
South Carolina.....	1,298,110	8,925,000	1,172,000
South Dakota.....	2,706,820	15,794,000	2,075,000
Tennessee.....	4,581,660	19,321,000	2,538,000
Texas.....	10,320,670	49,556,000	6,508,000
Utah.....	1,839,700	7,050,000	926,000
Vermont.....	3,336,750	4,413,000	580,000
Virginia.....	3,305,470	14,315,000	1,881,000
Washington.....	7,224,560	10,655,000	1,400,000
West Virginia.....	2,234,000	5,870,000	771,000
Wisconsin.....	41,486,970	27,513,000	3,614,000
Wyoming.....	3,089,500	4,461,000	586,000
Puerto Rico.....	1,351,000	1,321,000	500,000
Trust Territories..	75,000	660,000	250,000
Virgin Islands.....	--	660,000	250,000
Total, Available or Estimate.....	<u>399,418,352</u>	<u>755,000,000</u>	<u>100,000,000</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Agricultural Credit Insurance Fund

Soil and Water Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	--	124,000	--
Arizona.....	32,000	50,000	--
Arkansas.....	438,670	1,593,000	--
California.....	135,800	717,000	--
Colorado.....	--	50,000	--
Connecticut.....	9,500	50,000	--
Delaware.....	--	50,000	--
Florida.....	--	50,000	--
Georgia.....	135,000	282,000	--
Idaho.....	207,070	900,000	--
Illinois.....	14,000	50,000	--
Indiana.....	30,000	50,000	--
Iowa.....	273,500	425,000	--
Kansas.....	18,100	223,000	--
Kentucky.....	133,240	362,000	--
Louisiana.....	207,030	587,000	--
Maine.....	--	50,000	--
Maryland.....	8,000	50,000	--
Massachusetts.....	--	50,000	--
Michigan.....	173,000	383,000	--
Minnesota.....	36,320	259,000	--
Mississippi.....	136,080	334,000	--
Missouri.....	85,000	218,000	--
Montana.....	15,000	206,000	--
Nebraska.....	78,000	111,000	--
Nevada.....	230,000	407,000	--
New Hampshire.....	35,000	50,000	--
New Jersey.....	79,410	118,000	--
New Mexico.....	131,750	248,000	--
New York.....	137,200	285,000	--
North Carolina.....	31,500	95,000	--
North Dakota.....	--	194,000	--
Ohio.....	30,000	192,000	--
Oklahoma.....	75,100	318,000	--
Oregon.....	520,260	1,335,000	--
Pennsylvania.....	122,260	313,000	--
South Carolina.....	10,000	50,000	--
South Dakota.....	--	50,000	--
Tennessee.....	19,250	50,000	--
Texas.....	142,020	839,000	--
Utah.....	90,800	395,000	--
Vermont.....	228,200	537,000	--
Virginia.....	--	50,000	--
Washington.....	216,190	543,000	--
West Virginia.....	8,500	50,000	--
Wisconsin.....	263,110	477,000	--
Wyoming.....	--	50,000	--
Puerto Rico.....	--	80,000	--
Virgin Islands.....	--	50,000	--
Total, Available or Estimate.....	<u>4,535,860</u>	<u>14,000,000</u>	<u>--</u>

Farmers Home Administration
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 1987 and Estimated 1988 and 1989

Agricultural Credit Insurance Fund

Indian Land Acquisition Loan Program

	<u>1987</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Arizona.....	--	250,000	--
Idaho.....	--	250,000	--
Montana.....	--	250,000	--
North Dakota.....	2,000,000	250,000	--
South Dakota.....	--	750,000	--
Washington.....	--	250,000	--
Total, Available or Estimate.....	<u>2,000,000</u>	<u>2,000,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Agricultural Credit Insurance Fund

Farm Operating Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	31,661,970	46,513,000	61,031,000
Alaska.....	40,000	550,000	550,000
Arizona.....	2,176,280	14,589,000	19,142,000
Arkansas.....	74,350,080	58,036,000	76,151,000
California.....	54,061,180	104,808,000	137,523,000
Colorado.....	24,351,870	41,956,000	55,053,000
Connecticut.....	1,552,190	9,274,000	12,169,000
Delaware.....	1,668,500	9,718,000	12,751,000
Florida.....	12,514,930	38,985,000	51,154,000
Georgia.....	66,024,980	53,751,000	70,529,000
Hawaii.....	1,126,100	11,654,000	15,291,000
Idaho.....	46,596,570	38,975,000	51,140,000
Illinois.....	94,633,430	170,839,000	224,164,000
Indiana.....	37,197,790	106,203,000	139,353,000
Iowa.....	160,233,530	216,742,000	284,400,000
Kansas.....	89,048,290	110,515,000	145,011,000
Kentucky.....	39,412,860	103,287,000	135,527,000
Louisiana.....	186,131,640	47,942,000	62,906,000
Maine.....	10,301,370	21,736,000	28,520,000
Maryland.....	4,390,530	26,462,000	34,721,000
Massachusetts.....	1,555,590	10,721,000	14,068,000
Michigan.....	70,404,090	68,725,000	90,176,000
Minnesota.....	154,077,210	145,039,000	190,311,000
Mississippi.....	100,647,220	48,228,000	63,281,000
Missouri.....	73,205,910	123,548,000	162,112,000
Montana.....	48,884,170	38,885,000	51,023,000
Nebraska.....	140,239,824	114,969,000	150,856,000
Nevada.....	2,082,030	13,486,000	17,695,000
New Hampshire.....	496,150	16,199,000	21,255,000
New Jersey.....	4,091,000	14,432,000	18,937,000
New Mexico.....	17,485,350	23,237,000	30,491,000
New York.....	26,606,370	60,654,000	79,586,000
North Carolina.....	41,603,350	82,467,000	108,208,000
North Dakota.....	132,267,450	70,327,000	92,279,000
Ohio.....	54,087,930	107,634,000	141,231,000
Oklahoma.....	132,632,880	81,957,000	107,539,000
Oregon.....	26,169,220	37,550,000	49,271,000
Pennsylvania.....	21,527,130	70,381,000	92,349,000
Rhode Island.....	492,500	5,787,000	7,596,000
South Carolina.....	19,960,760	36,406,000	47,770,000
South Dakota.....	46,413,620	66,375,000	87,094,000
Tennessee.....	49,332,640	78,882,000	103,504,000
Texas.....	200,553,860	184,675,000	242,320,000
Utah.....	6,339,080	28,036,000	36,787,000
Vermont.....	5,920,930	18,235,000	23,927,000
Virginia.....	14,346,210	58,179,000	76,339,000
Washington.....	38,246,250	43,269,000	56,776,000
West Virginia.....	3,814,200	24,294,000	31,877,000
Wisconsin.....	138,059,940	121,388,000	159,278,000
Wyoming.....	24,684,710	17,550,000	23,028,000
Puerto Rico.....	5,176,550	5,000,000	5,000,000
Trust Territories..	---	400,000	400,000
Virgin Islands.....	141,000	550,000	550,000
Total, Available or Estimate.....	<u>2,539,019,214</u>	<u>3,050,000,000</u>	<u>4,000,000,000</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Agricultural Credit Insurance Fund

	<u>Emergency Loan Program</u>		
	<u>1987</u>	<u>1988</u>	<u>1989</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Alabama.....	2,475,220	--	--
Arkansas.....	5,591,930	--	--
California.....	3,308,540	--	--
Colorado.....	592,100	--	--
Delaware.....	834,820	--	--
Florida.....	145,870	--	--
Georgia.....	5,788,120	--	--
Idaho.....	1,438,890	--	--
Illinois.....	164,990	--	--
Iowa.....	630,700	--	--
Kansas.....	657,590	--	--
Kentucky.....	1,469,910	--	--
Louisiana.....	3,791,740	--	--
Maine.....	23,190	--	--
Maryland.....	1,694,270	--	--
Michigan.....	4,970,960	--	--
Minnesota.....	1,502,580	--	--
Mississippi.....	12,613,910	--	--
Missouri.....	1,255,020	--	--
Montana.....	11,767,250	--	--
Nebraska.....	749,270	--	--
New Jersey.....	315,520	--	--
New Mexico.....	571,400	--	--
New York.....	3,992,840	--	--
North Carolina.....	5,577,040	--	--
North Dakota.....	543,800	--	--
Ohio.....	57,160	--	--
Oklahoma.....	2,992,400	--	--
Oregon.....	1,123,520	--	--
Pennsylvania.....	812,750	--	--
South Carolina.....	16,346,905	--	--
South Dakota.....	2,330,630	--	--
Tennessee.....	2,942,310	--	--
Texas.....	7,101,120	--	--
Utah.....	132,610	--	--
Virginia.....	3,622,850	--	--
Washington.....	1,399,980	--	--
West Virginia.....	457,340	--	--
Wisconsin.....	1,735,610	--	--
Wyoming.....	13,250	--	--
Puerto Rico.....	77,000	--	--
Total, Available or Estimate.....	<u>113,612,905</u>	<u>100,000,000</u> ^{1/2/}	<u>100,000,000</u> ^{1/}

^{1/} Cannot be distributed by geographic area in advance.

^{2/} Although \$588,000,000 is available through appropriations, based on recent actual data \$100,000,000 is currently estimated to be needed.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Agricultural Credit Insurance Fund

Insured Watershed and Flood Prevention Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Arkansas.....	--	500,000	--
California.....	--	500,000	--
Georgia.....	--	500,000	--
Hawaii.....	--	500,000	--
Indiana.....	--	2,949,000	--
Iowa.....	--	500,000	--
Massachusetts.....	--	500,000	--
Mississippi.....	--	500,000	--
Oklahoma.....	--	500,000	--
Oregon.....	--	500,000	--
South Carolina.....	148,200	500,000	--
Total, Available or Estimate.....	148,200	7,949,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Agricultural Credit Insurance Fund

Resource Conservation and Development Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Arkansas.....	--	111,000	--
Idaho.....	--	80,000	--
Maine.....	--	87,000	--
Missouri.....	--	71,000	--
Montana.....	--	86,000	--
New Mexico.....	--	157,000	--
North Carolina.....	--	121,000	--
Oregon.....	--	114,000	--
South Dakota.....	--	127,000	--
Tennessee.....	--	66,000	--
Utah.....	--	50,000	--
Wyoming.....	--	137,000	--
Total, Available or Estimate.....	 -- 	 1,207,000 	 --

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Agricultural Credit Insurance Fund

Interest Rate Buydown Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	--	200,000	200,000
Alaska.....	--	200,000	200,000
Arizona.....	--	200,000	200,000
Arkansas.....	28,140	201,000	201,000
California.....	76,002	230,000	230,000
Colorado.....	237,212	868,000	868,000
Connecticut.....	--	200,000	200,000
Delaware.....	--	200,000	200,000
Florida.....	--	200,000	200,000
Georgia.....	20,196	200,000	200,000
Hawaii.....	--	200,000	200,000
Idaho.....	71,938	306,000	306,000
Illinois.....	1,458,777	7,434,000	7,434,000
Indiana.....	148,699	627,000	627,000
Iowa.....	3,320,380	18,434,000	18,434,000
Kansas.....	1,071,739	4,314,000	4,314,000
Kentucky.....	75,532	385,000	385,000
Louisiana.....	--	200,000	200,000
Maine.....	--	200,000	200,000
Maryland.....	--	200,000	200,000
Massachusetts.....	--	200,000	200,000
Michigan.....	2,016,375	7,582,000	7,582,000
Minnesota.....	2,292,690	12,541,000	12,541,000
Mississippi.....	84,340	272,000	272,000
Missouri.....	878,745	5,024,000	5,024,000
Montana.....	517,861	1,985,000	1,985,000
Nebraska.....	594,131	2,490,000	2,490,000
Nevada.....	--	200,000	200,000
New Hampshire.....	--	200,000	200,000
New Jersey.....	--	200,000	200,000
New Mexico.....	98,432	298,000	298,000
New York.....	134,955	533,000	533,000
North Carolina.....	13,756	200,000	200,000
North Dakota.....	3,003,041	10,539,000	10,539,000
Ohio.....	113,601	468,000	468,000
Oklahoma.....	219,156	830,000	830,000
Oregon.....	10,520	200,000	200,000
Pennsylvania.....	83,459	353,000	353,000
Rhode Island.....	--	200,000	200,000
South Carolina.....	--	200,000	200,000
South Dakota.....	472,261	1,762,000	1,762,000
Tennessee.....	1,800	200,000	200,000
Texas.....	54,492	216,000	216,000
Utah.....	--	200,000	200,000
Vermont.....	16,440	200,000	200,000
Virginia.....	13,620	200,000	200,000
Washington.....	35,843	200,000	200,000
West Virginia.....	11,400	200,000	200,000
Wisconsin.....	4,584,616	16,171,000	16,171,000
Wyoming.....	170,002	537,000	537,000
Puerto Rico.....	--	200,000	200,000
Trust Territories..	--	200,000	200,000
Virgin Islands.....	--	200,000	200,000
Total, Available or Estimate.....	<u>21,930,151</u>	<u>100,000,000</u>	<u>100,000,000</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Insurance Fund:

For direct and guaranteed loans as authorized by 7 U.S.C. 1928 and 86 Stat. 661-664, to be available from funds in the Rural Development Insurance Fund, as follows: insured water and sewer facility loans, [\$330,380,000] \$250,000,000; guaranteed industrial development loans, \$95,700,000; and insured community facility loans, [\$95,700,000] \$50,000,000.

For an additional amount to reimburse the Rural Development Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), [\$842,682,000] \$1,607,047,000.

Rural Development Insurance Fund

(a) On Basis of Loan Levels

Program Loan Levels, 1988.....	\$521,780,000
Program Loan Levels, 1989.....	395,700,000
Decrease in Loan Levels.....	<u>-126,080,000</u>

SUMMARY OF DECREASES
(On basis of loan levels)

Item of Change	: 1988 : Authorized	: Program : Changes	: 1989 : Estimated
Water and waste disposal loans....	\$330,380,000	: -\$ 80,380,000	: \$250,000,000
Community facility loans.....	95,700,000	: -45,700,000	: 50,000,000
Business and industrial loans....	95,700,000	: --	: 95,700,000
TOTAL.....	521,780,000	: -126,080,000	: 395,700,000

PROJECT STATEMENT
(On basis of loan levels)
(In thousands of dollars)

Project	: 1987 : Actual	: 1988 : Estimated	: Decrease	: 1989 : Estimated
Rural Development Assistance:	:	:	:	:
Water and waste disposal loans:	:	:	:	:
Water supply.....	\$178,285	\$178,000	:-\$ 43,000	: \$135,000
Waste disposal.....	140,832	141,000	: -34,000	: 107,000
Combination water supply and waste disposal.....	11,263	11,380	: -3,380	: 8,000
Subtotal, water and waste disposal loans.....	330,380	330,380	: -80,380(1)	: 250,000
Community facility loans.....	95,700	95,700	: -45,700(1)	: 50,000
Business & industrial loans.....	95,700	95,700	: --	: 95,700
Rural development finance corporation loans.....	19,140	--	: --	: --
TOTAL.....	540,920	521,780	: -126,080	: 395,700

Staff-years are reflected in the Salaries and Expense Project Statement.

EXPLANATION OF PROGRAM

The Rural Development Act of 1972 authorized the establishment of the Rural Development Insurance Fund under section 309A of the Consolidated Farm and Rural Development Act. This Act provided for transfer to the Rural Development Insurance Fund the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities. This fund is used to insure or guarantee loans for water systems and waste disposal facilities, community facilities and industrial development in rural areas.

1. Water and waste disposal loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, for the development of storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. A rural area includes any area in any city or town which has a population of not more than 10,000 inhabitants.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. FmHA loans are repayable in not more than 40 years or the useful life of the facility, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent, the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State.

2. Community facility loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, to construct, enlarge, extend, or otherwise improve community facilities which provide essential services to rural residents. Such facilities include those providing or supporting overall community development such as fire and rescue services, health care, hydroelectric generation, and community, social, and cultural benefits. Loans are made for facilities which primarily serve rural residents of open country and rural towns and villages of not more than 20,000 population.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. Loans are repayable in not more than the useful life of the facility or 40 years, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent, the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State.

3. Business and industrial development loans. These guaranteed loans are made to public, private, or cooperative organizations organized for profit or nonprofit, to certain Indian tribes, or to individuals for the purpose of improving the economic and environmental climate in rural areas. Such purposes include financing business and industrial acquisition, construction, conversion, enlargement, repair or modernization; financing the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, machinery, supplies and materials; and paying start-up costs and supplying working capital. Industrial development loans may be made in any area that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Special consideration for such loans is given to rural areas and cities having a population of 25,000 or less. To obtain a loan, a borrower must have the legal capacity necessary for constructing, operating, and maintaining the proposed facility and for obtaining, securing, and repaying the loan. A borrower must be financially sound and so organized and managed that efficient service will be provided. Loans may be guaranteed by FmHA not to exceed 90 percent of the loss. Guaranteed loans are repayable in not more than 30 years, depending on the loan purpose, and bear interest at a rate agreed upon by the lender and borrower.

JUSTIFICATION OF DECREASES

- (1) A decrease of \$80,380,000 for water and waste disposal loans and a decrease of \$45,700,000 for community facility loans (\$330,380,000 and \$95,700,000 respectively available in 1988).

The Administration recognizes the need to continue financial assistance to low-income communities to aid their efforts in providing basic public services and in meeting Federal water quality and drinking water standards. In response the Department established their Rural Development Initiative in 1987 to reevaluate and redirect assistance to low- and very low-income communities. The 1989 budget reflects the Administration's continuing concern for rural development by proposing funding for water and waste loans and grants, community facilities and industrial loans. This funding would provide support for up to 480 water and waste systems, 110 community facilities--primarily public safety and health care facilities--and 60 business opportunities to low- and very low-income communities.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1988.....	\$ 835,182
Budget Estimate, 1989.....	1,607,047
Increase in Appropriation.....	<u>+771,865</u>

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1987 Actual	1988 Actual	Increase or Decrease	1989 Estimated
Reimbursement for Interest				
Subsidies and Losses:				
Water and waste disposal				
loans:				
Water supply.....	\$355,799	\$367,530	+\$ 24,806	\$ 392,336
Waste disposal.....	140,576	147,823	-3,413	144,410
Combination water				
supply and waste				
disposal.....	45,902	46,926	-1,254	45,672
Community facility loans:	128,869	130,466	-4,572	125,894
Business and indus-				
trial loans.....	10,020	69,945	-48,089	21,856
Sale of loan assets.....	--	--	+861,879	861,879
Total Losses.....	681,166	762,690	+829,357(1)	1,592,047
Appropriation for FY 1984				
losses not reimbursed				
in FY 1986.....	+55,471	--	--	--
Amount of losses not				
appropriated in FY 1987..	-79,992	--	--	--
Appropriation for FY 1985				
losses not reimbursed				
in FY 1987.....		+79,992	-79,992(2)	--
Amount of losses not				
appropriated in FY 1988..	--	-7,500	+7,500	--
Appropriation for FY 1986				
losses not reimbursed				
in FY 1988.....	--	--	+7,500(3)	7,500
Appropriation for FY 1988				
losses.....	--	--	+7,500	7,500
Total Appropriation.....	656,645	835,182	+771,865	1,607,047

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Development Insurance Fund for funded interest subsidies and losses incurred in fiscal years 1986 and 1987.

JUSTIFICATION OF INCREASES AND DECREASE

- (1) An increase of \$829,357,000 for reimbursement of interest subsidies and losses incurred in 1987 (\$762,690,000 in interest subsidies and losses incurred in 1986).

Need for Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1987. The loss results from the difference between interest rates charged to borrowers and the rate which the Government must pay for its own borrowing. The increase results primarily from the one time discount on the sale of loans to the public and the discount on the loans purchased under the borrower discount purchase program. The loan asset sale and the borrower discount purchase program resulted in a budget deficit reduction in FY 1987 and future interest subsidies will be less.

Nature of Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1987.

- (2) The decrease of \$79,992,000 for reimbursement of interest subsidies and losses incurred in FY 1985, not reimbursed in FY 1987.

Need for Change. The amount of losses not appropriated in FY 1987 for FY 1985 losses was \$79,992,000.

Nature of Change. The amount of interest subsidies and losses incurred in FY 1985 was reimbursed in FY 1988.

- (3) The increase of \$7,500,000 reimbursement of interest subsidies and losses incurred in FY 1986, not reimbursed in FY 1988.

Need for Change. The amount of funding not made available in FY 1988 for FY 1986 losses was \$7,500,000. Congress appropriated the \$7,500,000 to the Rural Development Insurance Fund but instructed that it be transferred to the Rural Development Loan Fund to make loans in FY 1988.

Nature of Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1986 that were made not available to the Rural Development Insurance Fund in FY 1988.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	<u>1987</u> <u>Actual</u>	<u>1988</u> <u>Estimated</u>	<u>1989</u> <u>Estimated</u>
Cash balance, beginning of year.....	\$ 27,025	\$2,098,227	\$ 89,174
Outlays.....	<u>+209,557</u>	<u>-777,235</u>	<u>-490,811</u>
Funds for financing:			
Appropriation for reimbursement			
of interest subsidies and losses....	656,645	835,182	1,607,047
Treasury borrowings.....	1,380,000	2,700,000	850,000
Federal Financing Bank borrowings.....	170,000	--	--
Repayment of borrowings			
from Treasury.....	-345,000	-1,380,000	-1,800,000
Repayment of borrowings from FFB			
ahead of schedule.....	--	<u>-3,387,000</u>	<u>-200,000</u>
Net financing.....	<u>1,861,645</u>	<u>-1,231,818</u>	<u>457,047</u>
Cash balance, end of year.....	<u>2,098,227</u>	<u>89,174</u>	<u>55,410</u>

Change in Accounting Procedures

Accounting procedures of the Agency have been changed at the recommendation of GAO's audit on FmHA Financial Statements (B-226249) and to present financial statements in accordance with generally accepted accounting principles for Federal agencies. This accounting change is intended to more fully reflect the estimated value of the portfolio, including loans receivable, interest receivable, and acquired inventory property. These new procedures are based on current market conditions rather than purely historical factors. This is an accounting change only and will not have a budgetary impact.

Estimated valuation of these Agency assets will be reviewed annually to insure loan portfolios and acquired inventory properties are reflected properly each year at their current estimated market value.

Sale of Rural Development Loans

Public Laws 99-509 and 99-591 require FmHA to sell notes and other obligations held in the Rural Development Insurance Fund to the public on a nonrecourse basis. The Acts require the Agency to sell amounts necessary to realize net proceeds of not less than \$588 billion in FY 1988 and \$584 billion in FY 1989. To reach these goals, the 1989 Budget estimates gross asset sales and borrower discount purchase program of \$1.373 billion in FY 1988 and \$1.125 billion in FY 1989.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Development Insurance Fund

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income		Expenses				Net Total
	Interest	Other	Total	Interest	Write- offs	Other	Total
1987 Actual							
Water and waste disposal loans:							
Water supply.....	229,531	6	229,537	621,374	290	209	621,873
Waste disposal.....	89,831	2	89,833	233,585	639	19	234,243
Combination water supply and waste disposal.....	26,968	1	26,969	72,751	174	-284	72,641
Community facility loans.....	85,029	3	85,032	210,235	143	548	210,926
Business and industrial loans.....	52,732	5,836	58,568	17,917	--	62,507	80,424
Sale of loan assets.....	--	--	--	--	--	861,879	861,879
TOTAL.....	484,091	5,848	489,939	1,155,862	1,246	924,878	2,081,986
1988 Estimate							
Water and waste disposal loans:							
Water supply.....	178,272	6	178,278	558,064	184	167	558,415
Waste disposal.....	69,579	2	69,581	206,690	408	10	207,108
Combination water supply and waste disposal.....	21,062	2	21,064	62,008	112	-220	61,900
Community facility loans.....	66,194	3	66,197	186,021	96	500	186,617
Business and industrial loans.....	40,995	6,280	47,275	20,669	--	55,147	75,816
Sale of loan assets.....	--	--	--	--	--	856,984	856,984
TOTAL.....	376,102	6,293	382,395	1,033,452	800	912,588	1,946,840
							-1,564,445

Rural Development Insurance Fund

Operating Income and Expense Statement - Continued
(In Thousands of Dollars)

	Income		Expenses				Net Total
	Interest	Other	Total	Interest	Write- offs	Other	
1989 Estimate							
Water and waste disposal loans:							
Water supply.....	157,334	6	157,340	473,098	184	154	473,436
Waste disposal.....	61,407	2	61,409	175,222	408	7	175,637
Combination water supply and waste disposal.....	18,588	1	18,589	52,566	112	-205	52,473
Community facility loans.....	58,420	3	58,423	157,699	96	461	158,256
Business and industrial loans.....	36,180	5,954	42,134	17,523	--	50,808	68,331
Sale of loans assets.....	--	--	--	--	--	562,226	562,226
TOTAL.....	331,929	5,966	337,895	876,108	800	613,451	1,490,359
							-1,152,464

The following schedules present an analysis of outlays by loan program for fiscal years 1987, 1988 and 1989.

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1987 Actual
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Dis- posal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund.....	201,281	119,073	19,246	126,145	--	465,745
Purchase of certificates of beneficial ownership.....	4,270	1,495	473	1,515	19	7,772
Purchase of loans.....	1,427	618	--	--	--	2,045
Collections disbursed to investors.....	8,550	1,898	1,013	--	--	11,461
Interest expense.....	618,588	232,177	72,394	209,423	17,911	1,150,493
Investment in guaranteed loans.....	--	--	--	--	36,764	36,764
Loss settlement, guaranteed loans.....	451,961	121,483	80,685	--	17,788	655,731
Other.....	--	--	--	--	1,602	1,602
Total funds expended.....	1,286,077	476,744	173,811	337,083	74,084	2,347,799
Funds received:						
Repayments on loans.....	108,130	78,709	11,295	73,172	2,420	273,726
Payment of interest on loans.....	228,936	88,829	27,197	83,612	1,558	430,132
Net proceeds on loan asset sale and borrower discount purchase program.....	541,105	253,214	77,048	254,542	--	1,125,909
Collections received for investors.....	8,274	2,176	1,078	--	--	11,528
Payments on investment in guaranteed loans.....	--	--	--	--	36,128	36,128
Insurance premiums and guarantee fees.....	1	--	--	--	495	496
Other.....	353,754	139,524	45,526	127,897	12,736	679,437
Total funds received.....	1,240,200	562,452	162,144	539,223	53,337	2,557,356
Outlays.....	45,877	-85,708	11,667	-202,140	20,747	-209,557

Rural Development Insurance Fund

Analysis of Outlays by Loan Program

Fiscal Year 1988 Estimated
(In thousands of dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Dis- posal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:	193,631	112,576	18,012	126,085	--	450,304
Loans made by the fund:						
Purchase of certificates of beneficial ownership.....	79,609	27,501	8,685	27,501	1,447	144,743
Purchase of loans.....	63,834	27,357	--	--	--	91,191
Collections disbursed to investors.....	7,500	1,700	800	--	--	10,000
Interest expense.....	624,956	231,465	69,440	208,319	23,145	1,157,325
Investment in guaranteed loans.....	--	--	--	--	52,341	52,341
Loss settlement, guaranteed loans.....	239,788	62,553	41,702	--	17,000	347,519
Other.....	--	--	--	--	3,476	3,476
Total funds expended.....	1,209,318	463,152	138,639	361,905	97,409	2,270,423
Funds received:						
Repayments on loans.....	83,443	62,047	8,558	57,768	2,140	213,956
Payment of interest on loans.....	178,254	67,266	20,180	63,903	6,726	336,329
Net proceeds on loan asset sale and borrower discount purchase program.....	423,678	195,304	62,308	202,321	--	883,611
Collections received for investors.....	7,200	1,900	900	--	--	10,000
Payments on investment in guaranteed loans.....	--	--	--	--	44,291	44,291
Insurance premiums and guarantee fees.....	1	--	--	--	861	862
Other.....	2,152	828	290	786	83	4,139
Total funds received.....	694,728	327,345	92,236	324,778	54,101	1,493,188
Outlays.....	514,590	135,807	46,403	37,127	43,308	777,235

Rural Development Insurance Fund
Analysis of Outlays by Loan Program
Fiscal Year 1989 Estimated
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Dis- posal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund.....	216,522	125,885	20,142	140,990	--	503,539
Purchase of certificates of beneficial ownership.....	49,353	17,049	5,384	17,049	898	89,733
Purchase of loans.....	--	--	--	--	--	--
Collections disbursed to investors.....	7,500	1,700	800	--	--	10,000
Interest expense.....	497,070	184,100	55,230	165,690	18,410	920,500
Investment in guaranteed loans.....	--	--	--	--	47,497	47,497
Loss settlement, guaranteed loans.....	--	--	--	--	16,500	16,500
Other.....	47,183	12,309	8,206	--	683	68,381
Total funds expended.....	817,628	341,043	89,762	323,729	83,988	1,656,150
Funds received:						
Repayments on loans.....	69,321	51,547	7,110	47,992	1,777	177,747
Payment of interest on loans.....	149,302	56,340	16,902	53,523	5,635	281,702
Net proceeds on loan asset sale and borrower discount purchase program.....	310,340	143,088	45,654	148,180	--	647,262
Collections received for investors.....	7,200	1,900	900	--	--	10,000
Payments on investment in guaranteed loans.....	--	--	--	--	43,702	43,702
Insurance premiums and guarantee fees.....	1	--	--	--	861	862
Other.....	2,113	813	284	772	82	4,064
Total funds received.....	538,277	253,688	70,850	250,467	52,057	1,165,339
Outlays.....	279,351	87,355	18,912	73,262	31,931	490,811

Rural Development Insurance Fund
Proposal For Later Transmittal, Proposed Legislation - Penalty

EXPLANATION OF PROPOSED LEGISLATION

Proposed legislation will be submitted that will effectively remove the prepayment penalty provisions associated with the redemption ahead of schedule of Certificates of Beneficial Ownership when such redemptions are pursuant to accomplishing sales of loan assets to the public. The Federal Financing Bank will request a direct appropriation for any penalty payments foregone by the client agencies.

Under the Rural Development Insurance Fund, \$411.8 million of penalties have been projected for redemption of \$3.587 billion of Certificates of Beneficial Ownership in 1988 and 1989 as part of actual and proposed sales of community program loans. The proposed legislation would eliminate the need for the Agency to make such payments to the Federal Financing Bank from the revolving fund to accomplish the redemptions. This transaction would not have any government-wide budgetary impact.

Rural Development Insurance Fund Loan Subsidies
Proposed for Later Transmittal, Proposed Legislation - Credit Reform

Budget Estimate, Current Law, 1989.....	--
Change due to proposed legislation.....	\$41,731,000
Net Request, President's 1989 Budget Request.....	+41,731,000

SUMMARY OF INCREASE - PROPOSED LEGISLATION
(On basis of loan levels)

	:	FY 1989	:	
Item of Change	:	Current	:	Program
	:	Law	:	Changes
	:	:	:	President's
	:	:	:	Request
Loan subsidies.....	:	--	:	+41,731,000:
				\$41,731,000

EXPLANATION OF PROPOSED LEGISLATION

Under the Administration's credit reform proposal the rural community development program will continue to be operated by FmHA, although the loans will be disbursed from a new general fund account in Treasury. The additional \$41.7 million requested under this proposal is required to cover the interest subsidy cost related to a loan when it is made, rather than the annual subsidy as it occurs over the life of the loan.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Development Insurance Fund

Water and Waste Disposal Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	5,988,000	9,640,000	7,283,000
Alaska.....	599,000	666,000	503,000
Arizona.....	3,539,000	2,253,000	1,702,000
Arkansas.....	19,202,100	7,021,000	5,305,000
California.....	6,313,400	10,103,000	7,633,000
Colorado.....	599,500	2,630,000	1,987,000
Connecticut.....	4,267,400	2,898,000	2,190,000
Delaware.....	--	877,000	663,000
Florida.....	9,854,120	8,028,000	6,065,000
Georgia.....	10,528,000	12,142,000	9,173,000
Hawaii.....	--	606,000	480,000
Idaho.....	1,244,400	2,250,000	1,700,000
Illinois.....	4,073,000	9,618,000	7,267,000
Indiana.....	7,187,100	9,079,000	6,860,000
Iowa.....	6,784,800	5,475,000	4,136,000
Kansas.....	2,991,000	3,698,000	2,794,000
Kentucky.....	19,434,000	11,330,000	8,560,000
Louisiana.....	16,329,200	8,418,000	6,360,000
Maine.....	7,424,400	3,083,000	2,329,000
Maryland.....	2,315,000	3,852,000	2,910,000
Massachusetts.....	8,899,800	4,290,000	3,241,000
Michigan.....	10,254,000	13,204,000	9,976,000
Minnesota.....	8,556,100	6,113,000	4,619,000
Mississippi.....	12,795,300	9,920,000	7,495,000
Missouri.....	4,108,800	8,027,000	6,065,000
Montana.....	89,300	1,897,000	1,433,000
Nebraska.....	205,000	2,776,000	2,098,000
Nevada.....	--	513,000	480,000
New Hampshire.....	3,293,200	1,940,000	1,466,000
New Jersey.....	6,536,100	3,714,000	2,806,000
New Mexico.....	192,000	2,198,000	1,661,000
New York.....	9,019,100	14,515,000	10,966,000
North Carolina.....	18,534,900	16,959,000	12,813,000
North Dakota.....	1,313,000	1,739,000	1,314,000
Ohio.....	12,171,000	13,700,000	10,351,000
Oklahoma.....	12,550,000	5,246,000	3,964,000
Oregon.....	1,297,900	4,148,000	3,134,000
Pennsylvania.....	18,369,000	17,333,000	13,096,000
Rhode Island.....	2,447,000	581,000	480,000
South Carolina.....	18,063,300	8,315,000	6,282,000
South Dakota.....	1,871,600	2,161,000	1,633,000
Tennessee.....	4,517,000	10,938,000	8,264,000
Texas.....	14,318,600	16,215,000	12,251,000
Utah.....	752,000	1,094,000	826,000
Vermont.....	3,779,000	1,670,000	1,262,000
Virginia.....	10,877,500	8,992,000	6,794,000
Washington.....	3,171,100	5,131,000	3,876,000
West Virginia.....	6,761,000	6,882,000	5,200,000
Wisconsin.....	2,985,980	7,359,000	5,560,000
Wyoming.....	8,000	747,000	564,000
Puerto Rico.....	3,970,000	17,436,000	13,170,000
Trust Territories..	--	480,000	480,000
Virgin Islands.....	--	480,000	480,000
Total, Available or Estimate.....	<u>330,380,000</u>	<u>330,380,000</u>	<u>250,000,000</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Development Insurance Fund

Community Facilities Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	22,000	2,719,000	1,303,000
Alaska.....	--	470,000	470,000
Arizona.....	1,200,000	635,000	470,000
Arkansas.....	89,500	1,980,000	949,000
California.....	351,100	2,849,000	1,366,000
Colorado.....	664,200	742,000	470,000
Connecticut.....	1,348,000	817,000	470,000
Delaware.....	--	470,000	470,000
Florida.....	2,009,000	2,264,000	1,085,000
Georgia.....	421,000	3,424,000	1,641,000
Hawaii.....	--	470,000	470,000
Idaho.....	--	635,000	470,000
Illinois.....	3,054,300	2,713,000	1,300,000
Indiana.....	2,111,600	2,561,000	1,227,000
Iowa.....	1,320,000	1,544,000	740,000
Kansas.....	2,528,000	1,043,000	500,000
Kentucky.....	2,052,300	3,195,000	1,532,000
Louisiana.....	416,000	2,374,000	1,138,000
Maine.....	8,979,100	870,000	470,000
Maryland.....	45,000	1,086,000	521,000
Massachusetts.....	5,645,300	1,210,000	580,000
Michigan.....	215,000	3,724,000	1,785,000
Minnesota.....	960,000	1,724,000	826,000
Mississippi.....	3,285,000	2,798,000	1,341,000
Missouri.....	1,378,500	2,264,000	1,085,000
Montana.....	2,862,000	535,000	470,000
Nebraska.....	165,000	783,000	470,000
Nevada.....	--	470,000	470,000
New Hampshire.....	4,533,000	547,000	470,000
New Jersey.....	930,000	1,047,000	504,000
New Mexico.....	--	620,000	470,000
New York.....	2,936,200	4,093,000	1,962,000
North Carolina.....	4,627,900	4,782,000	2,293,000
North Dakota.....	1,000,000	491,000	470,000
Ohio.....	3,412,000	3,864,000	1,852,000
Oklahoma.....	864,800	1,480,000	709,000
Oregon.....	--	1,170,000	561,000
Pennsylvania.....	6,420,900	4,888,000	2,343,000
Rhode Island.....	1,995,700	470,000	470,000
South Carolina.....	7,656,500	2,345,000	1,124,000
South Dakota.....	395,500	609,000	470,000
Tennessee.....	840,000	3,085,000	1,479,000
Texas.....	2,556,000	4,573,000	2,192,000
Utah.....	600,000	470,000	470,000
Vermont.....	5,414,500	471,000	470,000
Virginia.....	5,468,100	2,536,000	1,216,000
Washington.....	1,000,000	1,447,000	694,000
West Virginia.....	344,000	1,941,000	930,000
Wisconsin.....	998,000	2,075,000	995,000
Wyoming.....	--	470,000	470,000
Puerto Rico.....	2,585,000	4,917,000	2,357,000
Trust Territories..	--	470,000	470,000
Virgin Islands.....	--	470,000	470,000
Total, Available or Estimate.....	<u>95,700,000</u>	<u>95,700,000</u>	<u>50,000,000</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Development Insurance Fund

Business and Industrial Development Loan Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	1,500,000	2,771,000	2,771,000
Alaska.....	--	500,000	500,000
Arizona.....	--	751,000	751,000
Arkansas.....	2,520,750	2,029,000	2,029,000
California.....	--	2,984,000	2,984,000
Colorado.....	999,500	695,000	695,000
Connecticut.....	--	686,000	686,000
Delaware.....	--	500,000	500,000
Florida.....	1,800,000	3,141,000	3,141,000
Georgia.....	7,500,000	3,206,000	3,206,000
Hawaii.....	5,010,000	500,000	500,000
Idaho.....	--	649,000	649,000
Illinois.....	2,470,000	3,308,000	3,308,000
Indiana.....	--	2,845,000	2,845,000
Iowa.....	--	1,483,000	1,483,000
Kansas.....	--	890,000	890,000
Kentucky.....	11,595,000	3,466,000	3,466,000
Louisiana.....	--	2,595,000	2,595,000
Maine.....	--	908,000	908,000
Maryland.....	--	982,000	982,000
Massachusetts.....	--	954,000	954,000
Michigan.....	84,000	3,762,000	3,762,000
Minnesota.....	4,500,000	1,863,000	1,863,000
Mississippi.....	8,900,000	2,817,000	2,817,000
Missouri.....	1,800,000	2,215,000	2,215,000
Montana.....	--	593,000	593,000
Nebraska.....	5,000,000	658,000	658,000
Nevada.....	--	500,000	500,000
New Hampshire.....	--	500,000	500,000
New Jersey.....	--	1,353,000	1,353,000
New Mexico.....	--	732,000	732,000
New York.....	--	3,781,000	3,781,000
North Carolina.....	7,653,000	4,624,000	4,624,000
North Dakota.....	--	500,000	500,000
Ohio.....	2,558,000	3,753,000	3,753,000
Oklahoma.....	1,350,000	1,659,000	1,659,000
Oregon.....	--	1,279,000	1,279,000
Pennsylvania.....	--	4,649,000	4,649,000
Rhode Island.....	--	500,000	500,000
South Carolina.....	173,520	2,243,000	2,243,000
South Dakota.....	2,227,000	500,000	500,000
Tennessee.....	4,450,000	3,169,000	3,169,000
Texas.....	1,945,000	4,133,000	4,133,000
Utah.....	--	500,000	500,000
Vermont.....	--	500,000	500,000
Virginia.....	--	2,243,000	2,243,000
Washington.....	--	1,742,000	1,742,000
West Virginia.....	17,036,000	2,187,000	2,187,000
Wisconsin.....	2,050,000	2,131,000	2,131,000
Wyoming.....	2,578,000	500,000	500,000
Puerto Rico.....	--	3,271,000	3,271,000
Trust Territories..	--	500,000	500,000
Virgin Islands.....	--	500,000	500,000
Total, Available or Estimate.....	<u>95,699,770</u>	<u>95,700,000</u>	<u>95,700,000</u>

Farmers Home Administration
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 1987 and Estimated 1988 and 1989

Rural Development Insurance Fund

Guaranteed Finance Corporation Loans

	1987 <u>Amount</u>	1988 <u>Amount</u>	1989 <u>Amount</u>
District of Columbia	6,140,000	--	--
Louisiana.....	4,000,000	--	--
Minnesota.....	<u>9,000,000</u>	<u>--</u>	<u>--</u>
Total, Available or Estimate.....	<u>19,140,000</u>	<u>--</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Water and Waste Disposal Grants:

For grants pursuant to sections 306(a)(2) and 306(a)(6) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), [~~\$109,395,000~~ \$75,000,000], to remain available until expended, pursuant to section 306(d) of the above Act.

Rural Water and Waste Disposal Grants

Appropriation Act, 1988.....	\$109,395,000
Budget Estimate, 1989.....	75,000,000
Decrease in Appropriation.....	<u>-34,395,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1987 Actual	1988 Estimated	Decrease	1989 Estimated
Rural water & waste disposal grants:				
Water supply.....	\$ 67,824,900	\$67,277,925	-\$21,152,925	\$46,125,000
Waste disposal.....	37,741,275	37,194,300	-11,694,300	25,500,000
Combination - water & waste disposal..	3,828,825	3,828,775	-1,203,775	2,625,000
Technical assistance grants.....	--	1,094,000	-344,000	750,000
Total appropriation...	109,395,000	109,395,000	-34,395,000(1)	75,000,000

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
Rural water & waste disposal grants:				
Water supply.....	\$ 73,234,816	\$68,188,447	-\$22,063,447	\$46,125,000
Waste disposal.....	40,617,150	37,943,571	-12,443,571	25,500,000
Combination - water & waste disposal..	3,811,300	3,849,348	-1,224,348	2,625,000
Technical assistance grants.....	--	2,297,000	-1,547,000	750,000
Total obligations.....	117,663,266	112,278,366	-37,278,366	75,000,000
Recovery of prior year obligations....	-9,561,747	--	--	--
Unobligated regular grant balance brought forward....	-1,589,885	-1,680,366	+1,680,366	--
Unobligated technical assistance grant balance brought forward.....	--	-1,203,000	+1,203,000	--
Unobligated regular grant balance carried forward.....	1,680,366	--	--	--
Unobligated technical assistance grant balance carried forward.....	1,203,000	--	--	--
Total appropriation	109,395,000	109,395,000	-34,395,000	75,000,000

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Rural water and waste disposal grants. Section 306 of the Consolidated Farm and Rural Development Act, as amended, provides appropriation authority for grants for the development costs of water and waste disposal projects in rural areas.

1. Eligibility of applicants: Development grants may be made to associations, including corporations operating on a nonprofit basis, municipalities, authorities, districts, certain Indian tribes, and similar organizations generally designated as public or quasi-public agencies, that propose projects for development of storage, treatment, purification, or distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may be made to assist eligible applicants to pay for part of the development cost of such projects if necessary to reduce user charges to a reasonable level. In addition, grants may be made to private nonprofit organizations that have experience in providing technical assistance and training for such purposes as assisting in identifying and evaluating alternative solutions to problems relating to water and waste disposal, preparing applications, and improving operation and maintenance practices at existing plants. Combined loans and grants may be made when the applicant is able to repay part, but not all, of the project costs.

Grants also may be made to supplement other funds borrowed or furnished by applicants to pay development costs. An eligible project must serve a rural area which is not likely to decline in population below that for which the project was designed, and it must be designed and constructed so that adequate capacity will be or can be made available to serve the reasonably foreseeable growth needs of the area.

2. Limits: Water and waste disposal grants may not exceed 75 percent of the development cost of the project. The development cost may include the cost of construction of the proposed facility including rights-of-way, land rights, water rights, engineering fees, and legal fees.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$34,395,000 for rural water and waste disposal grants (\$109,395,000 available in 1988).

The Administration recognizes the need to continue financial assistance to low-income communities to aid their efforts in providing basic public services and in meeting Federal water quality and drinking water standards. In response the Department established their Rural Development Initiative in 1987 to reevaluate and redirect assistance to low- and very low-income communities. The 1989 budget reflects the Administration's continuing concern for rural development by proposing \$75 million be made available to support 190 water and waste grants to very low-income communities.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Water and Waste Disposal Grant Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	4,015,900	3,241,000	2,133,000
Alaska.....	--	360,000	360,000
Arizona.....	2,778,200	757,000	498,000
Arkansas.....	5,629,040	2,360,000	1,553,000
California.....	4,072,200	3,396,000	2,235,000
Colorado.....	122,200	884,000	582,000
Connecticut.....	815,700	974,000	641,000
Delaware.....	--	360,000	360,000
Florida.....	3,899,500	2,699,000	1,776,000
Georgia.....	3,840,000	4,082,000	2,686,000
Hawaii.....	--	360,000	360,000
Idaho.....	920,600	756,000	498,000
Illinois.....	4,185,400	3,233,000	2,128,000
Indiana.....	1,428,300	3,052,000	2,009,000
Iowa.....	1,930,600	1,840,000	1,211,000
Kansas.....	957,000	1,243,000	818,000
Kentucky.....	4,722,000	3,809,000	2,507,000
Louisiana.....	4,512,000	2,830,000	1,862,000
Maine.....	2,376,440	1,036,000	682,000
Maryland.....	163,900	1,295,000	852,000
Massachusetts.....	336,000	1,442,000	949,000
Michigan.....	5,242,000	4,439,000	2,921,000
Minnesota.....	3,139,800	2,055,000	1,353,000
Mississippi.....	4,681,900	3,335,000	2,195,000
Missouri.....	1,708,300	2,698,000	1,776,000
Montana.....	--	638,000	420,000
Nebraska.....	306,000	933,000	614,000
Nevada.....	--	360,000	360,000
New Hampshire.....	600,000	652,000	429,000
New Jersey.....	1,123,900	1,249,000	822,000
New Mexico.....	208,000	739,000	486,000
New York.....	741,950	4,879,000	3,211,000
North Carolina.....	4,388,000	5,701,000	3,752,000
North Dakota.....	1,350,000	585,000	385,000
Ohio.....	4,118,000	4,605,000	3,031,000
Oklahoma.....	8,288,816	1,764,000	1,161,000
Oregon.....	554,500	1,394,000	918,000
Pennsylvania.....	5,695,000	5,827,000	3,835,000
Rhode Island.....	456,800	360,000	360,000
South Carolina.....	3,037,400	2,795,000	1,840,000
South Dakota.....	290,000	726,000	478,000
Tennessee.....	792,400	3,677,000	2,420,000
Texas.....	5,284,000	5,451,000	3,588,000
Utah.....	327,000	369,000	360,000
Vermont.....	1,270,000	561,000	371,000
Virginia.....	4,916,400	3,023,000	1,990,000
Washington.....	2,380,900	1,725,000	1,135,000
West Virginia.....	2,077,000	2,314,000	1,523,000
Wisconsin.....	2,027,720	2,474,000	1,628,000
Wyoming.....	111,000	360,000	360,000
Puerto Rico.....	5,841,500	5,861,000	3,858,000
Trust Territories..	--	360,000	360,000
Virgin Islands.....	--	360,000	360,000
Total, Available or Estimate.....	<u>117,663,266</u>	<u>112,278,000</u>	<u>75,000,000</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Rural Housing for Domestic Farm Labor:

[For financial assistance to eligible nonprofit organizations for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 1949, as amended (42 U.S.C. 1486), \$9,513,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1989.

Rural Housing for Domestic Farm Labor

Appropriation Act, 1988.....	\$9,513,000
Budget Estimate, 1989.....	--
Decrease in Appropriation.....	<u><u>-9,513,000</u></u>

PROJECT STATEMENT

(On basis of adjusted appropriation
and on basis of obligations under available funds)

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
Rural housing for domestic farm labor grants.....	\$ 7,582,359	\$11,747,315	-\$11,747,315	--
Unobligated balance brought forward.....	-303,674	-2,234,315	+2,234,315	--
Recovery of prior year obligations.....	--	--	--	--
Unobligated balance carried forward.....	2,234,315	--	--	--
Total appropriation.....	9,513,000	9,513,000	-9,513,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Under section 516 of the Housing Act of 1949, FmHA is authorized to share with state or other political subdivisions, public or private nonprofit organizations, or nonprofit organizations of farmworkers, the cost of providing low-rent housing, basic household furnishings, and related facilities to be used by domestic farm laborers. Such housing may be for year-round or seasonal occupancy, and consist of family unit apartments or dormitory-type units, constructed in an economical manner. Grant assistance may not exceed 90 percent of the total development cost. Applicants furnish as much of the development cost as they can afford by using their own resources, by borrowing either from private sources or obtaining an insured loan under section 514 of the Housing Act. The applicant must agree to charge rents that do not exceed amounts approved by the Secretary, maintain the housing in a safe and sanitary condition, and give occupancy preference to domestic farm laborers.

The obligations incurred by the applicant as a condition of the grant continue for 50 years from the date of the grant unless terminated sooner by the Farmers Home Administration. Grant obligations are secured by a mortgage on the housing or other security. In the event of default, the Farmers Home Administration has the option to require repayment of the grant.

Justification of Decrease

- (1) A decrease of \$9,513,000 for rural housing for domestic farm labor (\$9,513,000 available in FY 1988).

Need for Change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No appropriation is requested for FY 1989.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Housing for Domestic Farm Labor

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
California.....	108,486	1,053,200	--
Delaware.....	85,659	--	--
Florida.....	3,150,000	1,893,800	--
Idaho.....	--	800,000	--
Maryland.....	1,350,000	800,000	--
Massachusetts.....	--	800,000	--
Michigan.....	--	800,000	--
Minnesota.....	--	800,000	--
New Jersey.....	--	800,000	--
New York.....	88,505	--	--
North Carolina.....	81,279	800,000	--
Texas.....	2,096,360	800,000	--
Utah.....	--	800,000	--
Washington.....	--	800,000	--
Wisconsin.....	622,070	800,000	--
Total, Available or Estimate.....	<u>7,582,359</u>	<u>11,747,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Mutual and Self-Help Housing:

[For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 1490c), \$8,000,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1989.

Mutual and Self-Help Housing

Appropriation Act, 1988.....	\$8,000,000
Budget Estimate, 1989.....	--
Decrease in Appropriation.....	<u>-8,000,000</u>

PROJECT STATEMENT

(On basis of adjusted appropriation and on
basis of obligations under available funds)

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
Mutual and self-help housing grants.....	\$8,398,408	\$13,760,083	-\$13,760,083	--
Recovery of prior year obligations.....	-527,232	-227,444	+227,444	--
Unobligated balance brought forward.....	-5,403,815	-5,532,639	+5,532,639	--
Unobligated balance carried forward.....	5,532,639	--	--	--
Total appropriation.....	8,000,000	8,000,000	-8,000,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 523 of the Housing Act of 1949, as amended. Grants are made to local organizations to promote the development of mutual or self-help housing programs under which groups of usually six to ten families build their own homes by mutually exchanging labor. Funds may be used to pay the cost of construction supervisors who will work with families to guide them in the construction of their homes and for administrative expenses of the organizations providing the self-help assistance.

This program also provides for contract funds for training to be provided to members and staff of self-help technical assistance grant recipient organizations which sponsor and supervise self-help projects.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$8,000,000 for mutual and self-help housing (\$8,000,000 available in FY 1988).

Need for Change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No appropriation is requested for FY 1989.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Mutual and Self-Help Housing Grants

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Arizona.....	350,490	493,000	--
Arkansas.....	344,870	451,000	--
California.....	3,605,590	4,870,000	--
Colorado.....	70,860	233,000	--
Delaware.....	204,155	361,000	--
Florida.....	392,242	669,000	--
Maryland.....	168,690	595,000	--
Massachusetts.....	184,210	237,000	--
Michigan.....	232,150	212,000	--
Minnesota.....	--	611,000	--
Mississippi.....	651,160	1,272,000	--
North Carolina.....	187,000	375,000	--
North Dakota.....	--	50,000	--
Ohio.....	53,200	50,000	--
Oklahoma.....	454,501	589,000	--
Washington.....	600,620	1,101,000	--
Wisconsin.....	898,670	1,364,000	--
Total, Available or Estimate.....	<u>8,398,408</u>	<u>13,533,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses of the Farmers Home Administration, not otherwise provided for, in administering the programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921-2000), as amended; Title V of the Housing Act of 1949, as amended (42 U.S.C. 1471-1490o); the Rural Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40 U.S.C. 440-444), for administering the loan program authorized by title III A of the Economic Opportunity Act of 1964 (Public Law 88-452 approved August 20, 1964), as amended, and such other programs for which Farmers Home Administration has the responsibility for administering, [\$407,634,000] \$420,188,000, together with not more than \$3,000,000 of the charges collected in connection with the insurance of loans as authorized by section 309(a) of the Consolidated Farm and Rural Development Act, as amended, and section 517(i) of the Housing Act of 1949, as amended, or in connection with charges made on borrowers under section 502(a) of the Housing Act of 1949, as amended: Provided, That, in addition, not to exceed \$1,000,000 of the funds available for the various programs

- 1 administered by this agency may be transferred to this appropriation for temporary [field] employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), to meet unusual or heavy workload increases: Provided further, That not to exceed \$500,000 of this appropriation may be used for employment under
- 2 5 U.S.C. 3109 [: Provided further, That not to exceed \$2,675,000 of this appropriation shall be available for contracting with the National Rural Water Association or other equally qualified national organization for a circuit rider program to provide technical assistance for rural water systems: Provided further, That, in addition to any other authority that the Secretary may have to defer principal and interest and forego foreclosure, the Secretary may permit, at the request of the borrower, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary under this title, or under the provisions of any other law administered by the Farmers Home Administration, and may forego foreclosure of any such loan, for such period as the Secretary deems necessary upon a showing by the borrower that due to circumstances beyond the borrower's control, the borrower is temporarily unable to continue making payments of such principal and interest when due without unduly impairing the standard of living of the borrower. The Secretary may permit interest that accrues during the deferral period on any loan deferred under this section to bear no interest during or after such period: Provided, That, if the security instrument securing such loan is foreclosed, such interest as is included in the purchase price at such foreclosure shall become part of the principal and draw interest from the date of foreclosure at the rate prescribed by law].

The first change deletes language restricting the use of certain employment in order to utilize such employment in all offices.

The second change deletes language limiting the amount for contracting for the circuit rider program. In order to ensure that the function is carried out properly, the Agency needs the flexibility to bargain with the contractor. Also deletes language pertaining to deferral of principal and interest in certain cases and under certain foreclosure practices. These items are already incorporated into Agency regulations.

FARMERS HOME ADMINISTRATION

SALARIES AND EXPENSES

	<u>Appropriation</u>	<u>Transfer from Rural Housing & Agricultural Credit Insurance Funds</u>	<u>Transfer from Agricultural Credit Insurance Fund for Temporary Field Employment</u>	<u>Total</u>
Appropriation Act, 1988:				
Salaries & Expenses.....	\$407,634,000	\$3,000,000	\$1,000,000	\$411,634,000
Office of the Administrator.	600,000	--	--	600,000 a/
Total Appropriations, 1988	408,234,000	3,000,000	1,000,000	412,234,000
Budget estimate, 1989.....	420,188,000	3,000,000	1,000,000	424,188,000
Increase in appropriation.....	+11,954,000	--	--	+11,954,000

SUMMARY OF INCREASES AND DECREASES
(On Basis of Appropriation)

<u>Item of Change</u>	<u>1988 Estimate</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1989 Estimate</u>
Increased Retirement Costs (FERS).....	--	+\$1,500,000	--	\$1,500,000
Annualization of the Pay Cost effective in 1988...	--	+5,600,000	--	5,600,000
Increased operating costs related primarily to automation.	--	--	+\$4,854,000	4,854,000
Office of the Administrator	600,000	--	-600,000	--
All other expenses for administration of grant and direct and insured loan programs.....	\$411,634,000	--	+600,000	412,234,000
Total, Available.....	\$412,234,000	\$+7,100,000	\$+4,854,000	\$424,188,000

a/ Estimated funding for the Office of the Administrator is included in the Salaries and Expenses estimate for FY 1989.

PROJECT STATEMENT
(On Basis of Appropriation)

Project	1987 Actual		1988 Estimated		Increase or Decrease	1989 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Low-income housing assistance.....	\$175,476,400	4,866	\$211,421,000	5,361	-\$31,155,000	\$180,266,000	4,463
Moderate income housing assistance.....	43,526,514	1,207	29,459,000	747	+2,935,000	32,394,000	802
Farm loan programs assistance.....	152,901,754	4,240	151,596,000	3,844	+42,766,000	194,362,000	4,812
Community programs assistance.....	18,211,176	505	16,366,000	415	-2,714,000	13,652,000	338
Loans for associations or groups..	468,803	13	552,000	14	+54,000	606,000	15
Business and Industry assistance.....	2,704,630	75	2,840,000	72	+68,000	2,908,000	72
Total, administration of grant and direct and insured loan programs.....	393,289,277	10,906	412,234,000	10,453	+11,954,000	424,188,000	10,502
Unobligated balance.....	2,255,723	--	--	--	--	--	--
Total available or estimate.....	395,545,000	10,906	412,234,000	10,453	(1)	424,188,000	10,502
Transfer from Rural Housing & Agricultural Credit Insurance Funds	--		-3,000,000				
Transfer from Agricultural Credit Insurance Fund....	-1,000,000		-1,000,000				
Total Appropriation :	394,545,000		408,234,000				

EXPLANATION OF PROGRAM

Funds appropriated to this account are used to administer the various loan and grant programs of the Farmers Home Administration, with the exception of Emergency, Watershed, Flood and Resource Conservation and Development loans. Funds are made available from the Agricultural Credit Insurance Fund to provide for the Emergency Disaster Program. An annual allotment is received from the Soil Conservation Service to fund the costs of administering Watershed, Flood, and Resource Conservation and Development loans. Administration of the programs includes the reviewing of applications, making and collecting loans, and extending technical assistance to borrowers.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$11,954,000 for the administration of loan and grant programs consisting of:

- (a) An increase of \$5,600,000 for annualization of pay costs and an increase of \$1,500,000 for the Federal Employees Retirement System (FERS).

The \$5,600,000 is necessary for FmHA to adequately finance employees currently on the rolls. The increase is based upon an annualization of the pay cost increase effective in FY 1988.

The \$1,500,000 is needed for the FERS employees authorized under Public Law 98-21 and Public Law 99-335 which provided that Federal employees hired after December 31, 1983, would be entitled to a new retirement plan to be funded in part by Federal Agency contributions in addition to employee contributions.

- (b) An increase of \$4,854,000 for operating costs related primarily to support of current automated systems, maintenance of present equipment, and related telecommunications increases required to utilize the Agency wide computer network.

Need for Change. Over the past several years, the Agency has been installing its new multifunction workstations (MFWS) in County, District, and State Offices. This process, while meeting our initial plans, now requires some adjustments as our staff becomes more involved in utilizing this tool for servicing loans for workload management brought about by new legislation and for asset sales requirements. It has become necessary to reconfigure some of our offices as well as replace items lost due to fire, theft, or natural disasters. As this overall process evolves additional software programs are being developed to make the MFWS more productive resulting in greater demand in our County Offices for access to these computers. For example, our County Offices initially handled all of its follow-up loan servicing activities manually by using a card tickler system. This process is now being automated which will result in substantial time savings for field staff to devote to improved servicing and more accurate record keeping. As our MFWS equipment is utilized to a greater extent, our local offices are required to communicate more with each other and our Kansas City Computer Center where our accounting records are being maintained. This, of course, has caused our telecommunications costs to increase since more transactions are automated to meet new requirements and to improve our services to the public. Efforts are, however, underway to develop alternative communication methods in order that these rising costs can be kept under control. All these actions are intended to provide relief to our staff at the local level to enable them to provide better servicing and financial assistance to our borrowers and at the same time improve management reports.

Beginning in FY 1989, maintenance of the established Agency-wide system will be funded from the Salaries and Expenses account.

Nature of Change. An increase of \$3,500,000 will be used for replacement and support of MFWS equipment where needed. A small inventory of replacement equipment will be required to replace lost hardware due to fire, theft, or natural disasters. The Agency will also require an increase of \$1,354,000 to cover, in part, the costs for our telecommunications system (DEPNET) which provides direct access from the MFWS's to the program loan accounting system at the Kansas City Computer Center. DEPNET continues to support heavier workloads for 2,200 offices nationwide.

FARMERS HOME ADMINISTRATION STAFF YEARS

A decrease of 975 staff years is included in FmHA's total funding for FY 1989. This is related to the termination or reduction of new loan authority in FmHA programs. Loans made are estimated to decrease from 113,691 in FY 1988 to 53,940 in FY 1989. However, since a large number of staff years are planned to be financed by transfers from the Agricultural Credit Insurance Fund (ACIF) in FY 1988, all of the decreased staff years in FY 1989 are related to transfers from ACIF. FmHA plans to finance its total staff years as follows:

	FY 1987			
	<u>Ceiling</u>	<u>Non-Ceiling</u>	<u>Total</u>	<u>Funding</u>
Salaries and Expenses	10,565	341	10,906	\$393,289,277
Agricultural Credit				
Insurance Fund.....	1,710	85	1,795	55,000,000
Soil Conservation				
Service.....	12	--	12	330,000
Miscellaneous				
Reimbursements.....	<u>2</u>	<u>--</u>	<u>2</u>	<u>443,482</u>
Total, FmHA	<u>12,289</u>	<u>426</u>	<u>12,715</u>	<u>\$449,062,759</u>

	FY 1988			
	<u>Ceiling</u>	<u>Non-Ceiling</u>	<u>Total</u>	<u>Funding</u>
Salaries and Expenses	10,038	415	10,453	\$412,234,000
Agricultural Credit				
Insurance Fund.....	2,625	85	2,710	88,430,000
Soil Conservation				
Service.....	10	--	10	315,000
Miscellaneous				
Reimbursements.....	<u>2</u>	<u>--</u>	<u>2</u>	<u>735,000</u>
Total, FmHA	<u>12,675</u>	<u>500</u>	<u>13,175</u>	<u>\$501,714,000</u>

	FY 1989			
	<u>Ceiling</u>	<u>Non-Ceiling</u>	<u>Total</u>	<u>Funding</u>
Salaries and Expenses	10,072	430	10,502	\$424,188,000
Agricultural Credit				
Insurance Fund.....	1,620	70	1,690	53,738,000
Soil Conservation				
Service.....	6	--	6	180,000
Miscellaneous				
Reimbursements.. .	<u>2</u>	<u>--</u>	<u>2</u>	<u>735,000</u>
Total, FmHA	<u>11,700</u>	<u>500</u>	<u>12,200</u>	<u>\$478,841,000</u>

FARMERS HOME ADMINISTRATION

Positions Filled, Staff-Years and Average
Grade and Salary by Organizational Unit

Organizational Unit	Positions Filled At End of Year		Staff- Years	Permanent Full-time	
	Permanent Full-time	Other		Average Grade	Average Salary
<u>FISCAL YEAR 1987:</u>					
National Office	523	42	552	10.43	\$32,060
Finance Office and Field Support	838	66	912	7.15	21,980
State Offices	1,567	149	1,732	9.35	28,740
District Offices	1,225	113	1,344	9.40	28,890
County Offices	<u>6,957</u>	<u>3,991</u>	<u>8,175</u>	<u>7.10</u>	<u>21,820</u>
Total, FmHA	11,110	4,361 <u>1/</u>	12,715	7.81	24,005
<u>FISCAL YEAR 1988:</u> (estimate)					
National Office	547	40	574	10.50	32,920
Finance Office and Field Support	860	70	940	7.15	22,420
State Offices	1,610	150	1,740	9.35	29,310
District Offices	1,230	115	1,350	9.40	29,470
County Offices	<u>7,456</u>	<u>4,025</u>	<u>8,571</u>	<u>7.10</u>	<u>22,260</u>
Total, FmHA	11,703	4,400 <u>1/</u>	13,175	7.81	24,485
<u>FISCAL YEAR 1989:</u> (estimate)					
National Office	521	40	548	10.50	32,920
Finance Office and Field Support	815	65	915	7.15	22,420
State Offices	1,470	140	1,610	9.35	29,310
District Offices	1,120	105	1,250	9.40	29,470
County Offices	<u>6,902</u>	<u>3,700</u>	<u>7,877</u>	<u>7.10</u>	<u>22,260</u>
Total, FmHA	10,828	4,050 <u>1/</u>	12,200	7.81	24,485

1/ Includes non-ceiling employees such as Stay-in-School:
FY 1987, 291; FY 1988, 300; and FY 1989, 300.

FARMERS HOME ADMINISTRATION
Salaries and Expenses
Obligations by Organizational Unit ^{1/}
(in thousands rounded)

Organizational Unit	Obligations			
	Personnel Comp. and Benefits	Travel	All Other	Total
<u>FISCAL YEAR 1987:</u>				
National Office	\$23,292	\$1,024	\$5,366	\$29,682
Finance Office and Field Support	23,643	243	6,327	30,213
State Offices	53,573	6,179	12,015	71,767
District Offices	43,113	3,340	9,324	55,777
County Offices	<u>197,410</u>	<u>7,502</u>	<u>56,712</u>	<u>261,624</u>
Total, FmHA	341,031	18,288	89,744	449,063
Less Allocations from other accounts	<u>-42,913</u>	<u>-2,339</u>	<u>-10,078</u>	<u>-55,330</u>
Total, S&E, FmHA	<u>298,118</u>	<u>15,949</u>	<u>79,666</u>	<u>393,733</u>
<u>FISCAL YEAR 1988: (estimate)</u>				
National Office	25,800	1,300	5,600	32,700
Finance Office and Field Support	26,000	250	7,500	33,750
State Offices	57,400	6,200	13,900	77,500
District Offices	46,200	3,400	10,800	60,400
County Offices	<u>220,845</u>	<u>7,608</u>	<u>68,911</u>	<u>297,364</u>
Total, FmHA	376,245	18,758	106,711	501,714
Less Allocations from other accounts	<u>-70,385</u>	<u>-3,579</u>	<u>-14,781</u>	<u>-88,745</u>
Total, S&E, FmHA	<u>305,860</u>	<u>15,179</u>	<u>91,930</u>	<u>412,969</u>
<u>FISCAL YEAR 1989: (estimate)</u>				
National Office	24,800	1,300	5,500	31,600
Finance Office and Field Support	25,500	250	7,400	33,150
State Offices	53,500	6,000	14,300	73,800
District Offices	43,100	3,300	11,100	57,500
County Offices	<u>204,627</u>	<u>7,095</u>	<u>71,069</u>	<u>282,791</u>
Total, FmHA	351,527	17,945	109,369	478,841
Less Allocations from other accounts	<u>-42,920</u>	<u>-2,147</u>	<u>-8,851</u>	<u>-53,918</u>
Total, S&E, FmHA	<u>308,607</u>	<u>15,798</u>	<u>100,518</u>	<u>424,923</u>

^{1/} Includes reimbursable obligations.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

	<u>Salaries and Expenses</u>		
	<u>1987</u>	<u>1988</u>	<u>1989</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Alabama.....	10,872,457	12,161,000	11,569,000
Alaska.....	1,205,430	1,348,000	1,283,000
Arizona.....	4,152,257	4,644,000	4,418,000
Arkansas.....	12,937,458	14,471,000	13,767,000
California.....	8,775,619	9,816,000	9,338,000
Colorado.....	4,895,290	5,475,000	5,209,000
Connecticut.....	1,282,824	1,435,000	1,365,000
Delaware.....	1,906,122	2,132,000	2,028,000
Florida.....	7,377,781	8,252,000	7,851,000
Georgia.....	11,470,513	12,830,000	12,206,000
Hawaii.....	1,904,413	2,130,000	2,026,000
Idaho.....	6,785,144	7,589,000	7,220,000
Illinois.....	11,650,700	13,031,000	12,398,000
Indiana.....	8,570,228	9,586,000	9,120,000
Iowa.....	12,985,098	14,524,000	13,817,000
Kansas.....	7,815,853	8,742,000	8,317,000
Kentucky.....	11,819,053	13,220,000	12,577,000
Louisiana.....	9,794,427	10,955,000	10,422,000
Maine.....	6,770,074	7,572,000	7,204,000
Maryland.....	2,398,996	2,683,000	2,553,000
Massachusetts.....	2,736,657	3,061,000	2,912,000
Michigan.....	9,116,735	10,197,000	9,701,000
Minnesota.....	10,445,338	11,683,000	11,115,000
Mississippi.....	17,082,407	19,107,000	18,177,000
Missouri.....	13,171,749	14,733,000	14,016,000
Montana.....	4,987,369	5,578,000	5,307,000
Nebraska.....	7,515,051	8,406,000	7,997,000
Nevada.....	852,286	953,000	907,000
New Hampshire.....	1,546,607	1,730,000	1,646,000
New Jersey.....	3,926,020	4,391,000	4,178,000
New Mexico.....	4,469,391	4,999,000	4,756,000
New York.....	9,436,105	10,554,000	10,041,000
North Carolina.....	17,039,748	19,059,000	18,132,000
North Dakota.....	7,918,936	8,857,000	8,427,000
Ohio.....	9,205,167	10,296,000	9,795,000
Oklahoma.....	10,942,553	12,239,000	11,644,000
Oregon.....	5,207,869	5,825,000	5,542,000
Pennsylvania.....	8,268,225	9,248,000	8,798,000
Rhode Island.....	597,597	668,000	636,000
South Carolina.....	8,739,199	9,775,000	9,299,000
South Dakota.....	7,656,653	8,564,000	8,147,000
Tennessee.....	12,610,852	14,105,000	13,419,000
Texas.....	20,344,980	22,737,000	21,625,000
Utah.....	3,853,529	4,310,000	4,101,000
Vermont.....	3,201,133	3,580,000	3,406,000
Virginia.....	9,921,697	11,097,000	10,558,000
Washington.....	5,382,827	6,021,000	5,728,000
West Virginia.....	5,758,257	6,441,000	6,127,000
Wisconsin.....	9,871,240	11,041,000	10,504,000
Wyoming.....	3,318,188	3,711,000	3,531,000
Puerto Rico.....	7,249,966	8,109,000	7,715,000
Trust Territories..	1,006,337	1,126,000	1,071,000
Virgin Islands.....	417,874	467,000	445,000
Subtotal.....	<u>389,168,279</u>	<u>435,264,000</u>	<u>414,091,000</u>
National Office....	<u>29,681,928</u>	<u>32,700,000</u>	<u>31,600,000</u>
Finance Office.....	<u>30,212,553</u>	<u>33,750,000</u>	<u>33,150,000</u>
Total, Available or Estimate.....	<u>449,062,760</u>	<u>501,714,000</u>	<u>478,841,000</u>

NOTE: Fiscal Years 1987, 1988 and 1989 include allocations and reimbursements and ACIF transfers of \$56,774,000, \$93,480,000 and \$58,653,000, respectively.

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Community Fire Protection Grants:

[For grants pursuant to section 7 of the Cooperative Forestry Assistance Act of 1978 (Public Law 95-313), \$3,091,000 to fund up to 50 per centum of the cost of organizing, training, and equipping rural volunteer fire departments.]

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1989.

Rural Community Fire Protection Grants

Appropriation Act, 1988..	\$3,091,000
Budget Estimate, 1989.....	--
Decrease in Appropriation.....	<u>-3,091,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	: 1987 Actual	: 1988 Estimated	: Decrease	: 1989 Estimated
Rural community fire protection grants...	\$3,069,228	\$3,091,000	:\$-3,091,000	--
Unobligated balance lapsing..	21,772	--	--	--
Total appropriation. . .	3,091,000	3,091,000	-3,091,000(1):	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This assistance was authorized by section 7 of the Cooperative Forestry Assistance Act of 1978. Grants are made to public bodies to organize, train, and equip local fire-fighting forces, including those of Indian tribes or other native groups, to prevent, control, and suppress fires threatening human lives, crops, livestock, farmsteads or other improvements, pastures, orchards, wildlife, rangeland, woodland, and other resources in rural areas.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$3,091,000 for the rural community fire protection grants (\$3,091,000 available in 1988).

Need for Change. This program is being terminated as part of the Administration's efforts to reduce the size and scope of Federal programs to meet deficit targets. The Administration believes that credit assistance for this purpose is available in the private credit market.

Nature of Change. No funds are proposed for this program in FY 1989.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Community Fire Protection Grants

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	48,400	50,200	--
Alaska.....	67,000	69,600	--
Arizona.....	46,500	48,300	--
Arkansas.....	49,400	51,300	--
California.....	102,000	105,900	--
Colorado.....	58,700	60,900	--
Connecticut.....	21,850	22,700	--
Delaware.....	16,150	16,800	--
Florida.....	64,600	67,100	--
Georgia.....	57,900	60,100	--
Hawaii.....	17,500	18,200	--
Idaho.....	36,400	37,800	--
Illinois.....	115,900	120,300	--
Indiana.....	79,800	82,800	--
Iowa.....	104,500	108,500	--
Kansas.....	105,000	109,000	--
Kentucky.....	53,200	55,200	--
Louisiana.....	66,500	69,000	--
Maine.....	23,750	24,700	--
Maryland.....	33,250	34,500	--
Massachusetts.....	24,700	25,600	--
Michigan.....	84,550	87,800	--
Minnesota.....	118,750	123,300	--
Mississippi.....	48,400	50,200	--
Missouri.....	87,400	90,700	--
Montana.....	61,500	63,800	--
Nebraska.....	80,400	83,500	--
Nevada.....	26,200	27,200	--
New Hampshire.....	17,100	17,800	--
New Jersey.....	34,200	35,500	--
New Mexico.....	29,500	30,600	--
New York.....	81,700	84,800	--
North Carolina.....	69,300	71,900	--
North Dakota.....	99,100	102,900	--
Ohio.....	90,250	93,700	--
Oklahoma.....	59,800	62,100	--
Oregon.....	50,700	52,600	--
Pennsylvania.....	91,200	94,700	--
Rhode Island.....	13,300	13,800	--
South Carolina.....	44,600	46,300	--
South Dakota.....	74,100	76,900	--
Tennessee.....	55,100	57,200	--
Texas.....	156,700	162,700	--
Utah.....	31,500	32,700	--
Vermont.....	18,050	18,700	--
Virginia.....	47,500	49,300	--
Washington.....	51,500	53,500	--
West Virginia.....	30,400	31,600	--
Wisconsin.....	77,900	80,900	--
Wyoming.....	23,800	24,700	--
Puerto Rico.....	13,300	13,800	--
Trust Territories..	3,500	3,500	--
Virgin Islands.....	13,300	13,800	--
Administrative Expenses	91,628	--	--
Total, Available or Estimate.....	<u>3,069,228</u>	<u>3,091,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Development Grants:

[For grants authorized under section 310(B)(c) (7 U.S.C. 1932) to any qualified public or private nonprofit organization, \$6,500,000: Provided, That such funds shall be made available within six months of date of enactment and that a priority be given to applications from rural areas in economic distress or from organizations with previous experience in administering rural economic development programs: Provided further, That \$3,000,000 shall be available for planning and construction costs in connection with establishment of a rural industrialization technology center in Pontotoc County, Oklahoma].

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1989.

Rural Development Grants

Appropriation Act, 1988	\$6,500,000
Budget Estimate, 1989.....	--
Decrease in Appropriation.....	<u><u>-6,500,000</u></u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1987 Actual	1988 Estimated	Decrease	1989 Estimated
Rural development grants... ..	\$3,000,000	\$6,500,000	-\$6,500,000	--
Total appropriation...:	3,000,000	6,500,000	-6,500,000(1):	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 310B(c) of the Consolidated Farm and Rural Development Act, as amended. Grants may be made to any qualified public or private nonprofit organization for measures designed to facilitate development of private business enterprises, including the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refinancing, services and fees. Grants may not exceed \$50,000,000 annually. This grant program was previously consolidated under the Miscellaneous Expiring Appropriations Account; however, in FY 1988 a separate appropriation was established for the program.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$6,500,000 for the rural development grants (\$6,500,000 available in 1988).

Need for Change. This program is proposed for termination. Public and private nonprofit organizations eligible to be assisted under this grant program may request assistance under the Business and Industry Guarantee Loan Program which provides assistance more efficiently and at less cost to the Government.

Nature of Change. No appropriation is requested for FY 1989.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

<u>Rural Development Grants</u>			
	<u>1987</u>	<u>1988</u>	<u>1989</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Alabama.....	--	83,000	--
Alaska.....	--	28,000	--
Arizona.....	--	56,000	--
Arkansas.....	--	80,000	--
California.....	--	65,000	--
Colorado.....	--	46,000	--
Connecticut.....	--	36,000	--
Delaware.....	--	37,000	--
Florida.....	--	67,000	--
Georgia.....	--	103,000	--
Hawaii.....	--	34,000	--
Idaho.....	--	56,000	--
Illinois.....	--	94,000	--
Indiana.....	--	86,000	--
Iowa.....	--	82,000	--
Kansas.....	--	68,000	--
Kentucky.....	--	99,000	--
Louisiana.....	--	82,000	--
Maine.....	--	59,000	--
Maryland.....	--	43,000	--
Massachusetts.....	--	55,000	--
Michigan.....	--	80,000	--
Minnesota.....	--	76,000	--
Mississippi.....	--	96,000	--
Missouri.....	--	86,000	--
Montana.....	--	49,000	--
Nebraska.....	--	57,000	--
Nevada.....	--	30,000	--
New Hampshire.....	--	43,000	--
New Jersey.....	--	45,000	--
New Mexico.....	--	57,000	--
New York.....	--	85,000	--
North Carolina.....	--	120,000	--
North Dakota.....	--	45,000	--
Ohio.....	--	95,000	--
Oklahoma.....	3,000,000	3,071,000	--
Oregon.....	--	57,000	--
Pennsylvania.....	--	97,000	--
Rhode Island.....	--	31,000	--
South Carolina.....	--	75,000	--
South Dakota.....	--	54,000	--
Tennessee.....	--	88,000	--
Texas.....	--	119,000	--
Utah.....	--	45,000	--
Vermont.....	--	45,000	--
Virginia.....	--	82,000	--
Washington.....	--	52,000	--
West Virginia.....	--	72,000	--
Wisconsin.....	--	79,000	--
Wyoming.....	--	37,000	--
Puerto Rico.....	--	133,000	--
Trust Territories..	--	20,000	--
Virgin Islands.....	--	20,000	--
Total, Available or Estimate.....	<u>3,000,000</u>	<u>6,500,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Very Low-Income Housing Repair Grants:

[For grants to the very low-income elderly for essential repairs to dwellings pursuant to section 504 of the Housing Act of 1949, as amended, \$12,500,000.]

This change eliminates the appropriation language for this program. No appropriation is requested for fiscal year 1989.

Very Low-Income Housing Repair Grants

Appropriation Act, 1988.....	\$12,500,000
Budget Estimate, 1989.....	--
Decrease in Appropriation.....	<u>-12,500,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1987 Actual	1988 Estimated	Decrease	1989 Estimated
Very low-income housing repair grants.....	\$12,498,247	\$12,500,000	-\$12,500,000	--
Unobligated balance lapsing.....	1,753	--	--	--
Total appropriation.....	12,500,000	12,500,000	-12,500,000(1)	--

Staff years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 504 of the Housing Act of 1949, as amended. The rural housing repair grant program is carried out by making grants to very low-income elderly owner-occupants to make necessary repairs to improve and modernize their dwellings in order to remove safety and health hazards.

The grants may be made to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, installing screens, repairing or providing structural supports, or making similar repairs, additions, or improvements including all preliminary and installation costs in obtaining central water and sewer service. A grant can be made in combination with a section 504 very low-income housing repair loan. The Agency has determined that a grant cannot exceed \$5,000; and a grant and loan combined cannot exceed \$7,500.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$12,500,000 for the very low-income housing repair grants (\$12,500,000 available in 1988).

Need for Change. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No appropriation is requested for FY 1989.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Very Low Income Housing Repair Grant Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	783,410	369,000	--
Alaska.....	--	48,000	--
Arizona.....	25,850	143,000	--
Arkansas.....	169,580	289,000	--
California.....	183,200	468,000	--
Colorado.....	56,120	100,000	--
Connecticut.....	8,780	78,000	--
Delaware.....	26,370	29,000	--
Florida.....	192,840	362,000	--
Georgia.....	432,960	455,000	--
Hawaii.....	14,000	45,000	--
Idaho.....	27,760	81,000	--
Illinois.....	262,260	387,000	--
Indiana.....	64,750	324,000	--
Iowa.....	107,550	239,000	--
Kansas.....	82,230	183,000	--
Kentucky.....	417,600	429,000	--
Louisiana.....	375,560	321,000	--
Maine.....	353,500	129,000	--
Maryland.....	164,550	134,000	--
Massachusetts.....	92,070	148,000	--
Michigan.....	300,420	406,000	--
Minnesota.....	132,590	273,000	--
Mississippi.....	657,930	329,000	--
Missouri.....	328,440	343,000	--
Montana.....	19,500	71,000	--
Nebraska.....	71,510	116,000	--
Nevada.....	5,000	23,000	--
New Hampshire.....	41,720	72,000	--
New Jersey.....	98,370	113,000	--
New Mexico.....	129,540	112,000	--
New York.....	421,880	410,000	--
North Carolina.....	675,440	595,000	--
North Dakota.....	51,250	64,000	--
Ohio.....	441,880	484,000	--
Oklahoma.....	292,400	243,000	--
Oregon.....	136,840	176,000	--
Pennsylvania.....	819,780	597,000	--
Rhode Island.....	950	17,000	--
South Carolina.....	436,960	306,000	--
South Dakota.....	12,040	81,000	--
Tennessee.....	201,050	396,000	--
Texas.....	1,394,847	744,000	--
Utah.....	30,160	46,000	--
Vermont.....	33,170	57,000	--
Virginia.....	415,400	386,000	--
Washington.....	64,620	197,000	--
West Virginia.....	381,140	253,000	--
Wisconsin.....	334,570	302,000	--
Wyoming.....	10,610	40,000	--
Puerto Rico.....	276,940	391,000	--
Trust Territories..	440,360	82,000	--
Virgin Islands.....	--	14,000	--
Total, Available or Estimate.....	<u>12,498,247</u>	<u>12,500,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Rural Housing Preservation Grants:

[For grants for rural housing preservation as authorized by section 552 of the Housing and Urban-Rural Recovery Act of 1983 (Public Law 99-181), \$19,140,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1989.

Rural Housing Preservation Grants

Appropriation Act, 1988.....	\$19,140,000
Budget Estimate, 1989.....	--
Decrease in Appropriation.....	<u><u>-19,140,000</u></u>

PROJECT STATEMENT
(On basis of appropriation)

Project	: 1987 : Actual	: 1988 : Estimated	: Decrease	: 1989 : Estimated
Rural housing preservation grants....	: \$19,140,000	: \$19,140,000	: -\$19,140,000	: --
Total appropriation.....	: 19,140,000	: 19,140,000	: -19,140,000(1):	: --

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 533 of the Housing Act of 1949, as amended. Grants are made to eligible private nonprofit groups, Indian tribes, and government agencies for the rehabilitation of single family housing owned by low-income and very low-income families and the rehabilitation of rental and cooperative housing for low and very low-income families.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$19,140,000 for rural housing preservation grants (\$19,140,000 available in FY 1988).

Need for Change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No funding is requested for FY 1989.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Housing Preservation Grant Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	649,400	553,000	--
Alaska.....	--	170,000	--
Arizona.....	399,000	277,000	--
Arkansas.....	373,500	441,000	--
California.....	590,000	589,000	--
Colorado.....	200,000	220,000	--
Connecticut.....	--	179,000	--
Delaware.....	200,000	142,000	--
Florida.....	479,600	463,000	--
Georgia.....	595,000	661,000	--
Hawaii.....	--	161,000	--
Idaho.....	368,000	204,000	--
Illinois.....	417,100	458,000	--
Indiana.....	475,000	429,000	--
Iowa.....	365,000	323,000	--
Kansas.....	336,000	270,000	--
Kentucky.....	488,000	642,000	--
Louisiana.....	458,000	509,000	--
Maine.....	302,000	248,000	--
Maryland.....	222,000	249,000	--
Massachusetts.....	426,000	237,000	--
Michigan.....	466,000	518,000	--
Minnesota.....	315,800	373,000	--
Mississippi.....	667,000	531,000	--
Missouri.....	409,000	454,000	--
Montana.....	303,000	187,000	--
Nebraska.....	400,000	216,000	--
Nevada.....	--	134,000	--
New Hampshire.....	--	179,000	--
New Jersey.....	300,000	208,000	--
New Mexico.....	439,500	258,000	--
New York.....	525,000	502,000	--
North Carolina.....	752,300	796,000	--
North Dakota.....	194,700	178,000	--
Ohio.....	641,900	600,000	--
Oklahoma.....	400,000	361,000	--
Oregon.....	252,000	282,000	--
Pennsylvania.....	673,000	654,000	--
Rhode Island.....	--	127,000	--
South Carolina.....	402,100	486,000	--
South Dakota.....	281,000	201,000	--
Tennessee.....	300,000	573,000	--
Texas.....	815,000	906,000	--
Utah.....	149,000	166,000	--
Vermont.....	258,600	170,000	--
Virginia.....	688,000	537,000	--
Washington.....	388,000	308,000	--
West Virginia.....	470,400	395,000	--
Wisconsin.....	378,100	385,000	--
Wyoming.....	137,000	152,000	--
Puerto Rico.....	790,000	878,000	--
Total, Available or Estimate.....	19,140,000	19,140,000	--

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include language for this item as follows (new language underscored):

Rural [Rental Assistance Payments] Housing Voucher Program:

For necessary expenses to operate a housing voucher program under section 8(o) of the United States Housing Act of 1937, as amended (42 U.S.C. 1437(f)), to be administered by the Secretary of Agriculture, notwithstanding the limitations in section 8(o)(1) of such Act that the Secretary conduct a demonstration, and in section 8(o)(4) of such Act that the Secretary use substantially all authority in connection with certain programs, in connection with the rental rehabilitation program under Section 17 of such Act and for any other purposes as determined by the Secretary, \$381,600,000.

This change proposes new appropriation language for funding a rural housing voucher program.

Rural Housing Voucher Program

Appropriation Act, 1988.....	--
Budget Estimate, 1989.....	\$381,600,000
Increase in Appropriation.....	<u>+381,600,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	: 1987 : Actual	: 1988 : Estimated:	: Increase	: 1989 : Estimated
Rural housing vouchers.....	--	--	+\$381,600,000	\$381,600,000
Rental assistance payments...	--	--	--	--
Total appropriation.....	--	--	+\$381,600,000(1)	\$381,600,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 8(o) of the United States Housing Act of 1937, as amended. FmHA proposes a rural housing voucher program based on the same payment standards and regulations set by the Department of Housing and Urban Development (HUD) for its section 8 voucher program. This voucher program will provide housing assistance payments to individuals and families based on the difference between what the family can afford for housing according to their income and the cost of rental housing in the community. As operated by HUD, the assistance is provided through a public housing agency (PHA) which determines the amount of the voucher by comparing the families' incomes to local rents. Assistance will be provided monthly, with annual renewals for up to five years.

This appropriation account will also continue to disburse funds for new construction rental assistance units obligated in prior years.

JUSTIFICATION OF INCREASE

- (1) An increase of \$381,600,000 for a rural housing voucher program (zero available in FY 1988).

Need for Change. FmHA's traditional forms of insured housing loan assistance with interest subsidies are not the most efficient or effective way to provide suitable housing to very low-income rural residents.

Nature of change. A rural housing voucher program similar to HUD's will be implemented in rural areas, making 21,200 housing units available to rural residents most in need.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Rural Housing Voucher Program

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	--	--	12,486,000
Alaska.....	--	--	1,657,000
Arizona.....	--	--	4,675,000
Arkansas.....	--	--	9,340,000
California.....	--	--	13,500,000
Colorado.....	--	--	3,087,000
Connecticut.....	--	--	1,910,000
Delaware.....	--	--	877,000
Florida.....	--	--	9,964,000
Georgia.....	--	--	15,537,000
Hawaii.....	--	--	1,419,000
Idaho.....	--	--	2,648,000
Illinois.....	--	--	9,810,000
Indiana.....	--	--	8,994,000
Iowa.....	--	--	5,986,000
Kansas.....	--	--	4,475,000
Kentucky.....	--	--	15,009,000
Louisiana.....	--	--	11,248,000
Maine.....	--	--	3,855,000
Maryland.....	--	--	3,879,000
Massachusetts.....	--	--	3,550,000
Michigan.....	--	--	11,496,000
Minnesota.....	--	--	7,396,000
Mississippi.....	--	--	11,865,000
Missouri.....	--	--	9,713,000
Montana.....	--	--	2,120,000
Nebraska.....	--	--	2,956,000
Nevada.....	--	--	675,000
New Hampshire.....	--	--	1,917,000
New Jersey.....	--	--	2,732,000
New Mexico.....	--	--	4,153,000
New York.....	--	--	11,040,000
North Carolina.....	--	--	19,356,000
North Dakota.....	--	--	1,873,000
Ohio.....	--	--	13,812,000
Oklahoma.....	--	--	7,080,000
Oregon.....	--	--	4,832,000
Pennsylvania.....	--	--	15,349,000
Rhode Island.....	--	--	445,000
South Carolina.....	--	--	10,595,000
South Dakota.....	--	--	2,557,000
Tennessee.....	--	--	13,058,000
Texas.....	--	--	22,453,000
Utah.....	--	--	1,546,000
Vermont.....	--	--	1,664,000
Virginia.....	--	--	12,018,000
Washington.....	--	--	5,575,000
West Virginia.....	--	--	8,045,000
Wisconsin.....	--	--	7,743,000
Wyoming.....	--	--	1,163,000
Puerto Rico.....	--	--	21,667,000
Trust Territories..	--	--	400,000
Virgin Islands.....	--	--	400,000
Total, Available or Estimate.....	<u>--</u>	<u>--</u>	<u>381,600,000</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Development Loan Fund:

[For direct loans to intermediary borrowers, \$14,000,000, as authorized under the Rural Development Loan Fund (42 U.S.C. 9812(a)), to be available from funds in the Rural Development Loan Fund, \$6,500,000 and from funds transferred from the Rural Development Insurance Fund, \$7,500,000: Provided, That such funds be made available within six months of enactment and that a priority be given applications serving rural communities in economic distress or from organizations experienced in administering rural economic development programs.]

This change eliminates the appropriation language for this program. No program is requested for fiscal year 1989.

Rural Development Loan Fund

Program Loan Level, 1988.....	\$6,500,000
Program Loan Level, 1989.....	--
Decrease in Loan Level.....	<u><u>-6,500,000</u></u>

Adjustments in 1988

Program Loan Level, 1988.....	\$6,500,000
Transfer of funds from the Rural Development Insurance Fund a/.....	<u>+7,500,000</u>
Adjusted base for 1988.....	\$14,000,000
Program Loan Level, 1989.....	--
Decrease from adjusted 1988.....	<u><u>-14,000,000</u></u>

a/ Pursuant to Public Law 100-202, making Continuing Appropriations for fiscal year 1988.

PROJECT STATEMENT

(On basis of obligations under available funds)

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
Rural development loans.....	\$1,248	\$14,000,000	-\$14,000,000(1)	--
Rural development finance corporation grants.....	14,263,668	--	--	--
Total obligations.....	14,264,916	14,000,000	-14,000,000	--
Offsetting collections.....	-2,544,601	-2,580,961	-722,222	-\$3,303,183
Unobligated balance brought forward.....	-17,053,075	-5,332,760	+3,919,039	-1,413,721
Unobligated balance carried forward.....	5,332,760	1,413,721	+3,303,183	4,716,904
Total appropriation (adjusted).....	--	7,500,000	-7,500,000	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

The Food Security Act of 1985, Public Law 99-198, provided that all funds available to the Rural Development Loan Fund on the date of enactment be made available for grants until expended. On date of enactment, December 23, 1985, \$14,263,668 was unobligated and available to make grants. All grant funds were obligated during fiscal year 1987 and no additional funds were made available for grants in fiscal year 1988. These grants were made to national rural development and finance corporations for the purpose of establishing rural development programs to provide financial and technical assistance to low-income residents. Public Law 99-425, the Human Services Reauthorization Act of 1986, reauthorized the making of loans, out of repayments or other funds made available to the Rural Development Loan Fund, by FmHA. The 1988 loan program level will be made available through unobligated balances of the fund plus a transfer from the Rural Development Insurance Fund of \$7,500,000.

Loans will be made to intermediary borrowers (i.e. small investment groups) who in turn will relend the funds to rural businesses, community development corporations, private nonprofit organizations, etc. for the purpose of improving business, industry, community facilities, and employment opportunities and diversification of the economy in rural areas.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$14,000,000 for rural development loans (\$14,000,000 available in 1988).

The administration proposes to continue financial assistance for rural economic development in the form of business and industrial and community facility loan guarantees. A small amount of direct community facility funding will be available in 1989. This will insure involvement of the private sector in economic development activities. Consistent with the Department's Rural Development Initiative, the program has been limited to small-scale, family-sized enterprises in areas attempting to provide employment alternatives to offset jobs lost in the agricultural sector.

Farmers Home Administration
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 1987 and Estimated 1988 and 1989

Rural Development Loan Fund

Finance Corporation Grants

	1987 <u>Amount</u>	1988 <u>Amount</u>	1989 <u>Amount</u>
District of Columbia	4,853,668	--	--
Louisiana.....	4,400,000	--	--
Minnesota.....	5,010,000	--	--
Total, Available or Estimate.....	<u>14,263,668</u>	<u>--</u>	<u>--</u>

Farmers Home Administration
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 1987 and Estimated 1988 and 1989

Rural Development Loan Fund

Rural Development Loans

	1987 Amount	1988 Amount	1989 Amount
Total, Available or Estimate.....	<u> -- </u>	<u>14,000,000 1/</u>	<u> -- </u>

1/ Cannot be distributed in advance.

TO THE HONORABLE MEMBERS OF THE
HOUSE OF REPRESENTATIVES
AND THE SENATE

OF THE STATE OF NEW YORK

IN SENATE

January 11, 1911

REPORT
OF THE

COMMISSIONER OF THE LAND OFFICE

IN RESPONSE TO A RESOLUTION PASSED BY THE SENATE

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Compensation for Construction Defects:

[For compensation for construction defects as authorized by section 509(c) of the Housing Act of 1949, as amended, \$713,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1989.

Compensation for Construction Defects

Appropriation Act, 1988.....	\$713,000
Budget Estimate, 1989.....	--
Decrease in Appropriation.....	<u>-713,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	: 1987 : Actual	: 1988 : Estimated	: Decrease	: 1989 : Estimated
Compensation for construction defects.....	: \$241,109	: \$713,000	: -\$713,000	: --
Unobligated balance lapsing..	: 471,891	: --	: --	: --
Total appropriation.....	: 713,000	: 713,000	: -713,000(1):	: --

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 509(c) of the Housing Act of 1949, as amended. The Secretary of Agriculture is authorized to make expenditures to correct structural defects, or to pay claims of owners arising from such defects on newly constructed dwellings purchased with FmHA financial assistance. Claims will not be paid until provisions under the builder's warranty have been fully pursued. Requests for compensation for construction defects must be made within eighteen months after the date financial assistance was granted.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$713,000 for compensation for construction defects program (\$713,000 available in FY 1988).

Need for Change. This program is proposed for termination. The cost of this program is properly borne by builders under a builder's warranty, by posting bond, or any other guarantee or insurance.

Nature of Change. No appropriation is requested for FY 1989.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Compensation for Construction Defects

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
Alabama.....	--	13,000	--
Alaska.....	--	13,000	--
Arizona.....	--	13,000	--
Arkansas.....	6,945	17,000	--
California.....	--	13,000	--
Colorado.....	--	15,000	--
Connecticut.....	--	16,000	--
Delaware.....	--	10,000	--
Florida.....	--	8,180	--
Georgia.....	1,550	5,450	--
Hawaii.....	--	12,000	--
Idaho.....	--	15,000	--
Illinois.....	--	12,000	--
Indiana.....	1,630	19,000	--
Iowa.....	989	11,500	--
Kansas.....	--	10,000	--
Kentucky.....	--	11,000	--
Louisiana.....	1,891	17,100	--
Maine.....	3,683	3,900	--
Maryland.....	2,888	5,000	--
Massachusetts.....	--	5,000	--
Michigan.....	--	13,200	--
Minnesota.....	8,698	17,500	--
Mississippi.....	51,831	26,200	--
Missouri.....	7,165	24,600	--
Montana.....	1,815	10,000	--
Nebraska.....	--	10,000	--
Nevada.....	--	10,000	--
New Hampshire.....	1,185	19,500	--
New Jersey.....	--	15,000	--
New Mexico.....	158	14,000	--
New York.....	17,400	21,000	--
North Carolina.....	7,000	15,500	--
North Dakota.....	14,280	15,370	--
Ohio.....	9,360	3,000	--
Oklahoma.....	--	5,500	--
Oregon.....	--	2,000	--
Pennsylvania.....	15,495	21,000	--
Rhode Island.....	--	14,000	--
South Carolina.....	--	10,000	--
South Dakota.....	--	2,500	--
Tennessee.....	2,990	44,500	--
Texas.....	5,680	35,000	--
Utah.....	--	11,500	--
Vermont.....	22,349	7,000	--
Virginia.....	6,500	23,000	--
Washington.....	8,285	16,000	--
West Virginia.....	8,516	12,000	--
Wisconsin.....	26,555	22,000	--
Wyoming.....	6,271	5,000	--
Puerto Rico.....	--	5,000	--
Trust Territories..	--	5,000	--
Virgin Islands.....	--	12,000	--
Total, Available or Estimate.....	<u>241,109</u>	<u>713,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1989 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Self-Help Housing Land Development Fund:

[For direct loans pursuant to section 523(b)(1)(B) of the Housing Act of 1949, as amended (42 U.S.C. 1490c), \$500,000 shall be available from funds in the Self-Help Housing Land Development Fund.]

This change eliminates the authority to make direct loans for this program. No authority is requested for fiscal year 1989.

Self-Help Housing Land Development FundOn Basis Of Loan Levels

Program Loan Level, 1988.....	\$500,000
Program Loan Level, 1989.....	--
Decrease in Loan Level.....	<u>-500,000</u>

PROJECT STATEMENT
 (On basis of program level and on basis of
 obligations under available funds)

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
Mutual and self-help housing site loans...	\$ 500,000	\$ 500,000	-\$500,000(1)	--
Unobligated balance brought forward.....	-2,961,186	-2,596,374	+79,000	-\$2,517,374
Receipts.....	-135,188	-421,000	-375,000	-796,000
Unobligated balance carried forward.....	2,596,374	2,517,374	+796,000	3,313,374
Total appropriation.....	--	--	--	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This revolving fund is authorized under Section 523 (b)(1)(B) of the Housing Act of 1949, as amended. The fund is used for making loans to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to eligible families, nonprofit organizations, and cooperatives.

Justification of Decrease

- (1) A decrease of \$500,000 for the mutual and self-help housing site loan program (\$500,000 available in FY 1988).

Need for change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No program is requested for FY 1989.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1987 and Estimated 1988 and 1989

Self-Help Housing Land Development Fund

	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>	<u>1989</u> <u>Amount</u>
California.....	500,000	200,000	--
New Mexico.....	--	100,000	--
South Dakota.....	--	100,000	--
Washington.....	--	100,000	--
Total, Available or Estimate.....	<u>500,000</u>	<u>500,000</u>	<u>--</u>

1. The first part of the report is a general introduction to the subject of the study. It discusses the importance of the study and the objectives of the research.

2. The second part of the report is a detailed description of the methodology used in the study. It includes information about the sample size, the data collection methods, and the statistical analysis techniques used.

3. The third part of the report is a discussion of the results of the study. It compares the findings with the objectives of the research and discusses the implications of the results.

Miscellaneous Expiring Appropriations

EXPLANATION OF PROGRAM

In FY 1988 a separate appropriation was established for the Rural Development Grants; therefore, only the Rural Housing Supervisory Assistance Grants remain in the account.

Rural Housing Supervisory Assistance Grants - This program is authorized under section 525 of the Housing Act of 1949, as amended. Grants were made to community-based nonprofit organizations for the purpose of conducting programs of technical and supervisory assistance.

No funds were appropriated for this program from fiscal years 1986 through 1988. No funds are requested for fiscal year 1989.

PASSENGER MOTOR VEHICLES

The 1989 Budget Estimates propose the replacement of four passenger motor vehicles.

The passenger motor vehicles of the Farmers Home Administration are used primarily by the County Supervisors in the Pacific Trust Territories, Guam, and American Samoa for the performance of their daily work. None of the vehicles are used in the 50 United States or Washington, D.C. The vehicles are used in areas where privately-owned vehicles and common carrier facilities are either non-existent, uneconomical, or inadequate due to the nature of the travel which requires a high degree of mobility with frequent stops at rural housing sites and farm properties. FmHA personnel are required to inspect and appraise homes and farms on which loan applications are pending. They also must visit various properties frequently to perform loan servicing activities.

Passenger motor vehicles are not assigned to one individual exclusively at locations where more than one employee has a need for them. This allows several employees to use a single vehicle and minimizes the number of vehicles and maintenance costs.

Replacement of passenger motor vehicles. Replacement of four passenger motor vehicles now in operation is proposed. These vehicles are located in the Pacific Trust Territories and American Samoa and must be replaced because of excessive rust and corrosion. The high salt spray content and high humidity of the air in this region are very conducive to corrosion and shorten the serviceability period of motor vehicles. The average serviceability period for these vehicles is only two years.

Age and mileage data for Farmers Home Administration passenger motor vehicles on hand as of September 30, 1987, are as follows:

<u>Age-Year Model</u>	<u>Age Data</u>			<u>Mileage Data</u>	
	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (thousands)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1977	2	18	50-60	3	27
1983	2	18	30-40	1	9
1984	4	37	20-30	3	27
1985	2	18	Under 20	4	37
1986	<u>1</u>	<u>9</u>			
Total	11	100	Total	11	100

